



Daily Report

China

FBIS-CHI-94-009
Thursday
13 January 1994

Daily Report

China

FBIS-CHI-94-009

CONTENTS

13 January 1994

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

INTERNATIONAL AFFAIRS

Foreign Ministry Holds Weekly New Briefing	1
Comments on U.S. Human Rights Report [AFP]	1
Notes President Bush's Visit [XINHUA]	1
'Opposes' Contact With Taiwan [XINHUA]	1
Opposes Taiwan's 'Vacation Diplomacy' [XINHUA]	1
Warns Singapore, Malaysia on Taiwan [AFP]	2
Views Relations With France [AFP]	2
On Ties With France, Joint Communique [XINHUA]	2
On Prospects for Sino-French Relations [XINHUA]	3
On New Hong Kong Airport [XINHUA]	3
'Understands' Tokyo's Need for UN Seat [Tokyo KYODO]	3
Jiang Zemin on New Envoys to Egypt, Spain, Brazil [XINHUA]	3
Roundup Views Fostering Ties With Neighbors [XINHUA]	3
'Analysis' on Changing Transatlantic Relationships [XINHUA]	4
Foreign Economic Aid for 1993 Summarized [ZHONGGUO XINWEN SHE]	5
Article Reviews Trade with ASEAN Countries [ZHONGGUO XINWEN SHE]	5
President Clinton in Moscow for Talks With Yeltsin	7
Visit To Further 'Bilateral Relations' [XINHUA]	7
Discuss Variety of Issues [XINHUA]	7
Discuss Reform in Russia [XINHUA]	7
Second Round of Talks End [XINHUA]	7
U.S., Russian Foreign Ministers Draft Agreements [XINHUA]	8
U.S., Greece To Hold Joint Military Exercises [XINHUA]	8

United States & Canada

Commentator Views Textile Quota Issue [GUOJI SHANGBAO 9 Jan]	8
Rong Yiren, U.S. Senator Kerry Meeting Noted [XINHUA]	9
NPC Official Receives U.S. Education Official [XINHUA]	9
Army Paper Views U.S. Military Strategy Change [JIEFANGJUN BAO 5 Jan]	9

Central Eurasia

Kazakh Defense Minister, Delegation Visit PRC	10
Interviewed Prior To Trip [XINHUA]	10
Departs 11 Jan [XINHUA]	11
Meets Chi Haotian [XINHUA]	11
Talks With Zhang Zhen [XINHUA]	11

Southeast Asia & Pacific

Liu Huaqing on Official Visit to Singapore	11
Arrives 11 Jan [XINHUA]	11
Calls on Lee Kuan Yew [XINHUA]	11
Visits Prime Minister [XINHUA]	12
NPC Establishes Bilateral Group With Indonesia [XINHUA]	12

Near East & South Asia

Wen Jiabao Delegation Leaves India for Bangladesh [XINHUA]	12
Indian Coal Delegation Arrives in Beijing	13
Meets With Li Lanqing [XINHUA]	13
Signs Cooperation Agreement [Delhi Radio]	13

Sub-Saharan Africa

Qian Qichen Continues Visit in Africa	13
Received by Ethiopian President [XINHUA]	13
Meets Ethiopian Prime Minister [XINHUA]	13
Visits Eritrea [XINHUA]	14
Kenyan President Discusses Beijing Cooperation [XINHUA]	14
Kenyan President Meets Medical Survey Team [XINHUA]	14

West Europe

French Foreign Minister on Ties With PRC	14
Interviewed by XINHUA	14
'Restoration' of Ties Welcomed [XINHUA]	15

East Europe

Rong Yiren Receives Romanian Delegation [XINHUA]	15
Heilongjiang Vice Governor Meets Romanian Group [Harbin Radio]	16
Yugoslav Military Chief on Outside Interference [XINHUA]	16

NATIONAL AFFAIRS

Political & Social

Wu Bangguo Addresses Shanghai CPC Committee [JIEFANG RIBAO 23 Dec]	17
State Council Issues Public Service Plan [XINHUA]	19
Central Propaganda Official Addresses Press Meeting [Nanning Radio]	19
Reports on Paying Arrears of Teachers' Salaries	20
XINHUA Commentator Notes Problems [XINHUA]	20
Henan Governor Comments [Zhengzhou Radio]	20
Xinjiang To Settle Issue by Spring Festival [Urumqi TV]	21
Yunnan Settles Issue [Kunming TV]	21
Tibet's 'Project Hope' To Help School Dropouts [XINHUA]	21
Public Health Sector To Correct Fee Malpractices [ZHONGGUO XINWEN SHE]	22
Old Guard Said To Maintain Political Influence [Hong Kong CHENG MING 1 Jan]	22
Academic on Factors Affecting Society in 1994 [ZHONGGUO QINGNIAN BAO 4 Jan]	24
Article Views Situation of Intellectuals [Hong Kong SOUTH CHINA MORNING POST 12 Jan] ..	26
Commentator's Article on Doing Practical Work [RENMIN RIBAO 8 Jan]	28
More 'Ethnic-Minority' Children's Books Published [XINHUA]	29
Wildlife Official Reports on 'Tortured' Bears [XINHUA]	29

Military

CMC Orders 'Major' PLA Shuffle, Demobilization [Hong Kong SOUTH CHINA MORNING POST 13 Jan]	30
PLA Opens Bases, Barracks to Foreign Visitors [ZHONGGUO XINWEN SHE]	31
Paper 'Yearender' Lauds 'Fine Traditions' [JIEFANGJUN BAO 19 Dec]	31
Chengdu Military Leaders Study Deng's Works [Chengdu TV]	33
Jinan PLA Units Honor 'Heroic Fighters' [Jinan Radio]	34

Economic & Agricultural

Zou Jiahua Attends Three Gorges Conference [XINHUA]	34
Li Tieying Urges Restructuring 'Pilot Cities' [XINHUA]	35
National Forum on Monetary Affairs Begins 12 Jan [Hong Kong WEN WEI PO 13 Jan]	36
Article Views Exchange Rate Unification [RENMIN RIBAO OVERSEAS 12 Jan]	36

Bank of China President on Policies, Goals [XINHUA]	37
Price Hikes, Inflation Viewed [ZHONGGUO XINWEN SHE]	38
Tax Official Briefs Journalists on Tax Reform	39
Discusses 'Structural Reform' [XINHUA]	39
Views Foreign Investment [XINHUA]	39
Rules for Implementing VAT Regulations [XINHUA]	40
Official Predicts Economic Growth To Rebound [ZHONGGUO XINWEN SHE]	44
Post-Reform Economic Fluctuations, Part 2 [JINGJI YANJIU 20 Nov]	44
Article on Establishing Competitive Market [RENMIN RIBAO 7 Jan]	52
Government 'Cautious' Regarding Futures Markets [XINHUA]	54
Telecommunications Minister on Improvements [XINHUA]	55
Amendments to Accounting Law Noted [XINHUA]	55
Firms Set Up Unemployment Insurance Programs [XINHUA]	57
Law on Trade Unions in Foreign-Funded Firms [Hong Kong MING PAO 8 Jan]	57
Coal Bases To Be Built for 21st Century [XINHUA]	58
Permit for Coal Production To Be Introduced [ZHONGGUO TONGXUN SHE]	58
More Loans to Agriculture, Rural Industry [CHINA DAILY 12 Jan]	59
Agricultural Sector Expects Increase in Loans [XINHUA]	59
Gap Between East, West Provinces 'Narrowing' [ZHONGGUO XINWEN SHE]	59

REGIONAL AFFAIRS

East Region

Jiangsu Approves More Overseas-Funded Enterprises [XINHUA]	61
Shandong Secretary Interviewed on Reform [Jinan Radio]	61
Shandong Secretary Speaks on Telecommunications [Jinan Radio]	62
Shandong Statistics on Telecommunications Noted [XINHUA]	62
Shandong Discipline Inspection Work Report Noted [DAZHONG RIBAO 3 Dec]	63
Shanghai Sees Establishment of 'Major Markets' [XINHUA]	65
Shanghai Official Predicts 'Good Year' for Pudong [XINHUA]	66
Shanghai Introduces Advanced Mobile Phone System [CHINA DAILY 13 Jan]	66

Central-South Region

Guangdong Secretary on Reform, Modernization [YANGCHENG WANBAO 16 Dec]	67
Guangzhou Proposes 5 Price-Control Measures [ZHONGGUO TONGXUN SHE]	72
Foreign-Funded Firms 'Main Force' in Shenzhen [CHINA DAILY (BUSINESS WEEKLY) 9-15 Jan]	72
Guangxi Secretary on Developing Rural Economy [Nanning Radio]	73
Guangxi Seeks Capital for Telecommunications [ZHONGGUO TONGXUN SHE]	74
Henan Secretary Comments on Village Enterprises [Zhengzhou Radio]	74
Hunan Secretary, Governor's New Year Message [Changsha Radio]	75

North Region

Hebei To Build Power Plant in Inner Mongolia [Shijiazhuang Radio]	75
Beijing GDP Increases 1.7 Percent in 1993 [XINHUA]	76
Hebei Announces Personnel Appointments, Removals [HEBEI RIBAO 13 Dec]	76
Hebei Manufactures Yun-5-B Aircraft [Shijiazhuang Radio]	77
Shanxi Rural Industrial Towns 'Growing' [XINHUA]	77
Tianjin Mayor Meets With ROK Bank Official [TIANJIN RIBAO 30 Dec]	77
Tianjin Secretary Holds Forum of Democratic Parties [TIANJIN RIBAO 29 Dec]	77

Northeast Region

Cause of Heilongjiang Coal Mine Explosion Verified [GONGREN RIBAO 8 Jan]	78
Jilin Secretary on Nonpublic Economic Sector [Changchun Radio]	79
Liaoning Implementing Public Servants System [Shenyang Radio]	80
Liaoning Development Zone Reports Rapid Progress [Shenyang Radio]	81

TAIWAN

Foreign Ministry on French Arms Sales [CNA]	82
Vatican May Forge Diplomatic Ties With PRC	82
Vatican Official Confirms Plans [Taipei Radio]	82
Taiwan Minister on Establishing Ties [Taipei Radio]	82
Reports on President's Possible Visit to Indonesia [Taipei Radio]	82
Economic Minister Promotes 'Southern Strategy' [CNA]	83
Ministry Announces Inbound Investment Deficit [CNA]	83

HONG KONG & MACAO

Hong Kong

Official on Validity of Travel Documents After 1997 [Hong Kong WEN WEI PO 11 Jan]	85
UK Responds to PRC Passport Proposals [Hong Kong SOUTH CHINA MORNING POST 13 Jan]	85
Reportage on New Hong Kong Airport Project	85
Lu Ping Views Project [Hong Kong WEN WEI PO 12 Jan]	85
Lu Ping on Move To Increase Funding [Hong Kong SOUTH CHINA MORNING POST 12 Jan]	86
Governor Patten Comments [Hong Kong THE STANDARD 13 Jan]	87
Financial Secretary Comments [Hong Kong SOUTH CHINA MORNING POST 13 Jan]	87
'Advisers' Hold Forum on Transition Work [XINHUA]	88
Editorial on Reorganizing Assemblies in 1997 [Hong Kong WEN WEI PO 8 Jan]	88

Foreign Ministry Holds Weekly New Briefing

Comments on U.S. Human Rights Report

HK1301093094 Hong Kong AFP in English 0923 GMT
13 Jan 94

[Text] Beijing, Jan 13 (AFP)—China dismissed Thursday a U.S. State department report on human rights that concluded Beijing had made no significant progress in curbing widespread abuses. "It is a fact for all to see that since 1949 and since the implementation of reforms in China, tremendous progress has been made," foreign ministry spokesman Wu Jianmin said.

Wu reiterated Beijing's opposition to U.S. President Bill Clinton's decision to link the renewal of China's most-favoured-nation status this year with "significant progress" in its human rights record. "Trade is after all trade," Wu said. "We are categorically opposed to any linkage of trade with issues irrelevant to trade." He also stressed that it was not for foreign countries to comment on China's human rights policy. "It is the Chinese government and the Chinese people themselves who care most about human rights ... and who have the right to evaluate human rights in China."

Despite its overwhelmingly negative conclusions, the State Department draft report praised China for engaging in human rights dialogue with the United States and releasing some political prisoners. Human rights is expected to be the focus of a possible meeting between U.S. Secretary of State Warren Christopher and Chinese Foreign Minister Qian Qichen that might be held at the end of January in Paris, Geneva or New York. The issue will also be raised when U.S. Treasury Secretary Lloyd Bentsen visits Beijing on January 19 for trade talks with Chinese leaders.

Notes President Bush's Visit

OW1301094094 Beijing XINHUA in English 0931
GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—A Chinese Foreign Ministry spokesman said here this afternoon that "trade is after all trade, we are categorically opposed to linking trade with anything irrelevant."

He made the remarks at the weekly press conference when asked to comment on a recent statement by officials from the U.S. State Department that in their view, China has not made sufficient progress on human rights issues for the United States to extend most-favored-nation trading status.

Spokesman Wu Jianmin said that it is the Chinese Government and the Chinese people themselves who care the most about human rights in China and likewise it is also the Chinese people themselves who have the right to evaluate how the human rights are in China.

He added that it is a fact there for all to see that since 1949 and since the initiation of reform and opening

drive in China, tremendous progress has been achieved in the country, a fact universally recognized, while pointing out that "trade is after all trade, we are opposed to linking trade with anything irrelevant."

When asked to comment on the significance of the upcoming visit by former U.S. President George Bush, he said that he believes that the visit will help enhance mutual understanding.

'Opposes' Contact With Taiwan

OW1301092494 Beijing XINHUA in English 0857
GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—China firmly opposes any form of official contact between Taiwan and countries having diplomatic relations with China, a Chinese Foreign Ministry spokesman said here this afternoon.

Spokesman Wu Jianmin said that China never takes exception to non-governmental contact between Taiwan and countries having diplomatic relations with China.

"However," Wu said, "The relations between some of those countries and Taiwan have recently gone beyond that limit." The Chinese Government "firmly opposes any form of official contact between Taiwan and those countries having diplomatic relations with China," he added.

Wu made the statement when commenting on the so-called "vacation diplomacy" by the Taiwan authorities as Lien Chan paid a visit to some countries having diplomatic relations with China in the name of "a private vacation".

Wu pointed out that the so-called vacation diplomacy is but a new trick of "pragmatic and elastic diplomacy" of the Taiwan authorities whose aim is still to create "two Chinas" or "one China, one Taiwan", which is against the fundamental interests of the Chinese nation including the Taiwan compatriots.

Opposes Taiwan's 'Vacation Diplomacy'

OW1301110994 Beijing XINHUA Domestic Service in
Chinese 0944 GMT 13 Jan 94

[Text] Beijing, 13 Jan (XINHUA)—Foreign Ministry Spokesman Wu Jianmin said: The so-called "vacation diplomacy" is but a new trick of "pragmatic and elastic diplomacy" of the Taiwan authorities whose aim is still to create "two Chinas" or "one China, one Taiwan," which is against the fundamental interests of the Chinese nation including the Taiwan compatriots.

A reporter asked at a news conference this afternoon: Around the New Year's Day this year, Lien Chan paid a visit to some countries having diplomatic relations with China in the name of "a private vacation," which Taiwan describes as "vacation diplomacy." Do you have any comments on the event?

Wu Jianmin pointed out: China never takes exception to non-governmental contact between Taiwan and countries having diplomatic relations with China. However, the relations between some of those countries and Taiwan have recently gone beyond that limit. We firmly opposes any form of official contact between Taiwan and those countries having diplomatic relations with China.

Warns Singapore, Malaysia on Taiwan

HK1301085794 Hong Kong AFP in English 0848 GMT 13 Jan 94

[Text] Beijing, Jan 13 (AFP)—China issued a strong warning Thursday to Singapore and Malaysia for allowing "private visits" by Taiwan Premier Lien Chan, saying they had overstepped the mark in approved contacts with the Nationalist island. "We never take exception to non-governmental contacts between Taiwan and countries that have diplomatic relations with China," foreign ministry spokesman Wu Jianmin said.

"Recently, however, the relations between some of those countries and Taiwan have gone beyond that limit," he said, condemning what he described as diplomatic trickery by Taiwan in carrying on official contacts with certain countries under the guise of private visits. "This so-called 'holiday diplomacy' is but a new trick of Taiwan's elastic diplomacy," Wu said.

Lien visited Malaysia and Singapore at the beginning of this month in what was officially defined as a private capacity, although he discussed bilateral economic cooperation with both his Malaysian and Singaporean counterparts, Mahatir Mohamad and Goh Chok Tong. Taiwan President Lee Teng-hui is to embark on a private visit to Jakarta next month during which he will meet President Suharto, newspapers in Taiwan and Indonesia have reported.

Lien's visits were seen as a political breakthrough for Taiwan as foreign governments having diplomatic relations with China generally refuse anything that smacks of an official visit from Taiwan for fear of angering Beijing. Beijing and Taipei both claim to be the legitimate government of all China, and Beijing strongly opposes any official contact by any foreign governments with Taiwan, which it views as a renegade province. However, Taiwan has recently been flexing its economic muscle to open doors in Southeast Asia and Lien's recent successes in Malaysia and Singapore indicate that the tactic is bearing fruit.

Wu also rejected the suggestion that the attendance at last year's APEC summit of the chairman of Taiwan's Council for Economic Planning and Development, Vincent Siew, contradicted China's Taiwan policy. Chinese President Jiang Zemin also attended the Seattle summit. "China attended the APEC meeting as a sovereign state while Taiwan was there as a regional economy," Wu pointed out. "You cannot confuse bilateral issues with APEC."

Views Relations With France

HK1301091094 Hong Kong AFP in English 0903 GMT 13 Jan 94

[Text] Beijing, Jan 13 (AFP)—Franco-Chinese relations can improve gradually if Paris "strictly" respects bilateral pacts, the Chinese Foreign Ministry said Thursday, in an allusion to France's past arms sales to Taiwan.

To end a freeze in relations that was costing French firms the opportunity to bid on large contracts in China, France was forced to promise Wednesday not to sell the Nationalist island any arms in future. China had imposed the freeze after the French sold Taiwan jet fighters in 1992.

Ministry spokesman Wu Jianmin told his weekly press conference that Beijing "has always attached importance" to its relationship with France. "In recent years, however, the authorization by the previous French government of the sale of arms has inflicted serious damage to Sino-French relations," he said. "We believe that as long as the two sides strictly abide by the principle underlying the establishment of diplomatic ties and the relevant principles elaborated in the joint communique, Sino-French relations will be able gradually to improve and develop," Wu said.

On Ties With France, Joint Communique

OW1301093494 Beijing XINHUA in English 0921 GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—Sino-French relations will be gradually improved and grow steadily as long as both sides abide by the principles guiding the establishment of diplomatic ties and relevant principles underscored in the Sino-French joint communique.

Wu Jianmin, Chinese Foreign Ministry spokesman, said this at a routine news conference here this afternoon when asked to comment on the Sino-French joint communique issued yesterday.

He said that the Chinese Government has always attached importance to the preservation and development of its relations with France.

In the past 30 years since the establishment of Sino-French diplomatic relations, the spokesman said, fruitful cooperation has been conducted in the political, economic and other fields.

However, Wu noted, in recent years, the authorization by the previous French Government of the sale of arms to Taiwan seriously undermined bilateral relations.

"As long as both sides abide by the principles guiding the establishment of diplomatic relations and relevant principles underscored in the Sino-French joint communique, Sino-French relations will be gradually improved and grow steadily," he said.

On Prospects for Sino-French Relations

OW1301111194 Beijing XINHUA Domestic Service in Chinese 0953 GMT 13 Jan 94

[Text] Beijing, 13 Jan (XINHUA)—Foreign Ministry spokesman Wu Jianmin reiterated that the Chinese Government has always attached importance to the preservation and development of its relations with France. He emphasized that as long as both sides strictly abide by the principles guiding the establishment of diplomatic relations and relevant principles underscored in the Sino-French joint communique, Sino-French relations will be gradually improved and grow.

Wu Jianmin made these remarks in response to a question at a news conference this afternoon.

A reporter asked: The governments of China and France issued a joint communique on 12 January. Please comment on the prospects for developing Sino-French relations.

Wu Jianmin said: "In most of the past 30 years since the establishment of Sino-French diplomatic relations, fruitful cooperation has been conducted in the political, economic and other fields. However, in recent years, the authorization by the previous French Government of the sale of arms to Taiwan seriously undermined bilateral relations. We believe that as long as both sides strictly abide by the principles guiding the establishment of diplomatic relations and relevant principles underscored in the Sino-French joint communique, Sino-French relations will be gradually improved and grow."

On New Hong Kong Airport

OW1301094394 Beijing XINHUA in English 0907 GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—The Chinese Foreign Ministry spokesman reiterated here today that the financial arrangements for the construction of the new airport in Hong Kong should be something for China and Britain to settle through consultations in accordance with the provisions of the memorandum of understanding on the construction of the project.

"This is always the position of the Chinese side," said Chinese Foreign Ministry spokesman Wu Jianmin at a routine news conference here this afternoon.

He made the remark when responding to a question about the British Hong Kong Government having last week asked the Legislative Council to make allocation of funds to the provisional administration of the airport.

"Before agreement is reached between the two sides, unilateral actions will do no good to the settlement of the financial arrangements," the spokesman said.

He revealed that the Chinese and British sides still have working contacts within the new airport committee.

'Understands' Tokyo's Need for UN Seat

OW1301091594 Tokyo KYODO in English 0843 GMT 13 Jan 94

[Text] Beijing, Jan. 13 KYODO—China "understands" Japan's and Germany's desires to play greater roles in the international political arena by joining the U.N. Security Council, a Chinese Foreign Ministry spokesman said Thursday [13 January].

But the official indicated that the matter will be a long process.

"The reform of the Security Council is a relatively complicated issue which includes ratifying the U.N. Charter, and several procedural problems," spokesman Wu Jianmin said at a weekly briefing.

"Solving these problems is not a question of one or two countries expressing their opinion, but needs the full and ample deliberation of all the delegates to the United Nations. Only then can we strive for a method acceptable to everyone," he said.

Wu did not elaborate on China's position in the matter, only saying that China understands the two countries' hope "of making greater contributions to peace and development in the world."

During a two-day visit to Beijing last weekend, Japanese Foreign Minister Tsutomu Hata briefed Chinese Foreign Minister Qian Qichen on the establishment of a working group for the reform of the Security Council.

At that time the Chinese side made no response, a Japanese Foreign Ministry official said.

Jiang Zemin on New Envoys to Egypt, Spain, Brazil

OW1301103394 Beijing XINHUA in English 0818 GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—Chinese President Jiang Zemin announced today that the ambassadors to Egypt, Spain and Brazil are being replaced with new ones.

Yang Fuchang will take the place of Zhu Yinglu as ambassador extraordinary and plenipotentiary of the People's Republic of China to the Arab Republic of Egypt.

Yuan Tao, ambassador to Spain is replaced by Song Guoqing, and Shen Yunao, ambassador to the Federative Republic of Brazil, is succeeded by Yuan Tao.

Roundup Views Fostering Ties With Neighbors

OW1101144794 Beijing XINHUA Domestic Service in Chinese 0751 GMT 25 Dec 93

["Roundup" by reporters Zhou Shuchun (0719 2885 2504) and Chen Yonghong (7115 3057 4767): "To Be on

Good Terms With Neighboring Countries and Establish Peaceful Order at Home—China's Diplomatic Main Theme"]

[Text] Beijing, 25 Dec (XINHUA)—Soon after Chairman Li Ruihuan of the Chinese People's Political Consultative Conference [CPPCC] ended his trip to South Asia, Pakistan's Premier Benazir Bhutto paid a visit to China. This not only reflects the close relationship between China and Pakistan, but also demonstrates to a great extent a key goal of China's foreign policy in 1993—attaching great importance to bordering areas, being on good terms with neighboring countries, and establishing peaceful order at home.

This year witnessed remarkably frequent exchanges of visits by the leaders of China and its neighboring countries. Among more than 30 heads and government leaders of foreign states who visited China this year, more than 10 are from Asian countries, with most of them from closely neighboring countries. Meanwhile, high-ranking Chinese leaders visited 10 neighboring countries. Visits to neighboring countries by new Chinese party and government leaders after assuming their positions prove that China attaches great importance to its relations with neighboring countries.

South and Southeast Asia became hot spots this year in China's diplomatic drive. Chairman Qiao Shi's trip to five ASEAN countries represents the first visit ever to ASEAN countries by a Chinese parliamentary leader. Meanwhile, heads of government leaders of five ASEAN countries visited China one after another, as did the ASEAN secretary general. Such high-level exchanges push ties between China and ASEAN countries to a closer, firmer, and riper stage. It stands to reason that this year is termed the "ASEAN year" in China's diplomatic efforts.

Chairman Li Ruihuan's trip to three South Asian countries marks the first visit ever by a CPPCC leader. In addition, the chairman of the Vietnamese Communist Party paid a visit to Beijing—the first time ever since 1995. The premiers of India and Laos as well as the King of Nepal also came to China.

Meanwhile, Hu Jintao and Liu Huaqing, respectively, led a Chinese government delegation to visit friendly country Korea and our largest neighboring country, Russia. Leaders of the Commonwealth of Independent States, including the president of Kazakhstan, also came to visit one after another. The Chinese Government's diplomatic agenda also shows that China attaches great importance to Mongolia and the five Central Asian countries.

Since Japan's new cabinet was formed, it has confirmed on many occasions that it will work hard to develop friendly relations between Japan and China. Following a visit by its minister of finance, an important member of Japan's cabinet will come to visit in the near future. Under new circumstances, the relations between China and Japan will develop in a sustained and stable manner.

Undoubtedly, close contacts not only help deepen mutual trust and good-neighborly ties between China and its neighboring countries, but also provide new momentum to expand their mutual economic ties and trade as well as scientific and technological cooperation. This will positively influence the promotion of peace, stability, and development in the region. Many leaders of neighboring countries said clearly that the "theory of the China threat" is absolutely unfounded, and that China's development and the expansion of cooperation with China conform to the common interests of the region.

Meanwhile, negotiations between China and some neighboring countries on pending border issues have achieved marked progress. Following positive results achieved at negotiations on Sino-Vietnamese borders, China and India signed an agreement on maintaining peace and tranquility in the border areas under actual control. This is the first agreement reached by the two countries since 1981, when talks on border lines began, marking a substantial step forward in two countries' efforts to solve the border issues. Besides, China has achieved new progress in talks on arms reduction in border areas and strengthening trust in military issues with Kazakhstan, Kyrgyzstan, Russia, and Tajikistan.

By unswervingly adhering to an independent foreign policy of peace, China has entered its best era in terms of relations with its neighbors. Without doubt, this is extremely important for today's China in accelerating its modernization drive.

'Analysis' on Changing Transatlantic Relationships

OW1201154794 Beijing XINHUA in English 1348 GMT 12 Jan 94

["News analysis" by Li Hubing]

[Text] Brussels, January 12 (XINHUA)—America's European allies are happy with the results of the recently concluded NATO summit. Manfred Woerner, NATO's secretary general, described the meeting as "historical and a big step forward toward the next century."

U.S. President Bill Clinton's current visit to Europe, his first since taking office, has attracted as much public attention as the summit itself.

The reason may be that people are eager to know: what changes will occur in the transatlantic security alliance now that the Cold War has ended?

The statements made by Clinton in Brussels demonstrate that the U.S.-European relationship remains generally harmonious. They share common views on many important issues concerning NATO's future and Europe's new security arrangements.

During the summit, the 16 NATO leaders agreed that the Western military alliance remains at the center of European security.

They endorsed the concept of building multinational task forces involving NATO and non-NATO nations—the common joint task forces (CJTF)—intended to make NATO more flexible in dealing with regional conflicts both inside and outside Europe.

Within this framework, NATO will provide military resources to European allies, if necessary.

The leaders also adopted proposals for establishing partnerships with former Warsaw pact countries.

Some former Warsaw Pact countries such as Poland, Hungary, the Czech Republic and Slovakia, are eager to join NATO. But the proposal adopted, known as the "partnership for peace" plan, falls short of offering these countries either a timetable for membership or security guarantees. The NATO leaders instead have characterized NATO expansion as "an evolutionary process."

The summit was, however, dominated by a more urgent issue—the war in Bosnia.

The leaders reaffirmed that NATO is ready to carry out air strikes in parts of Bosnia to break the Serb strangulation of Sarajevo if the United Nations requests such action.

They believe that if NATO continues to do nothing in Bosnia, its credibility would be seriously damaged.

In any case, the summit was a great success for the alliance and the consensus reached on almost all issues demonstrates transatlantic unity.

However, it must also be noted that the summit reflects a change in this relationship, having to do with reshaping European defence burdens in the post-Cold War period. In this prospect, the European allies will have to assume a greater burden.

It is clear that the "partnership for peace" plan and the concept of establishing the CJTF, which indeed will usher in "a new period" for NATO, also means that the United States will do less for European defense and security, and Europe will have to rely largely on itself.

Regardless of any commitments on Clinton's part, the Europeans know very well that the U.S. will not treat issues of European security the same it did during the Cold War.

The U.S. will not easily allow its 100,000 troops deployed in Europe to become involved in European conflicts. In the Yugoslav crisis, for example, the U.S. has argued that the conflict there is "a European problem."

It may be assumed that if the same conflict erupted during the Cold War years, the U.S. would not have remained a bystander.

With the end of the Cold War, NATO is entering a new era, and it is impossible for the transatlantic relationship

to remain unchanged. Both the U.S. and its European allies are well aware of this, but are reluctant to point it out.

Foreign Economic Aid for 1993 Summarized

HK1301121994 Beijing ZHONGGUO XINWEN SHE
in English 1334 GMT 12 Jan 94

[Text] Beijing, January 11 (CNS)—China continued to extend its economic assistance to developing countries in Asia, Africa, Latin America and the South Pacific region in 1993. A total of 272 items of foreign aid were carried out by China in 72 countries last year with their accomplishment described as sound.

The foreign aid covered 77 complete sets of items and 113 joint-ventured items involving technological cooperation. Eighty-two items were considered preparatory for construction while 16 items were completed. Foreign aid items undertaken in Bangladesh, Burma, Nepal, Sri Lanka, Mongolia, Cameroon and Ethiopia, including construction of bridges, railways, a water supply project and an agricultural items, showed sound economic and social results. Nineteen new items covering a cement factory, a hospital, a highway, an acupuncture and moxibustion center, and a housing item started last year in such countries as Peru, Sudan, Burundi, Tunisia, Namibia and Mauritius.

China employed various patterns in its foreign aid including a combination of foreign assistance and cooperation of mutual interest in order to push forward direct cooperation between China's enterprises and those of the countries receiving assistance. A total of 45 items were carried out in 24 countries assisted by using such a pattern. The number of contracts signed for such items between the parties concerned was put at 12.

China also offered some 50 batches of material aid to some developing countries in 1993 while at the same time striking cooperation with United Nations agencies involving cooperative activities between developing countries, offering them help.

Article Reviews Trade with ASEAN Countries

HK1101150694 Beijing ZHONGGUO XINWEN SHE
in Chinese 1123 GMT 24 Dec 93

["Yearend special article" by ZHONGGUO XINWEN SHE correspondent Zhao Haiyan (6392 3189 3601)]

[Text] Beijing, 24 Dec (ZHONGGUO XINWEN SHE)—Relations between China and ASEAN countries this year have moved ahead on all fronts; in particular, bilateral economic cooperation and trade have been upgraded so rapidly and developed so steadily that they have become a mainstay cooperation between the two sides.

Analysts summed up cooperation between China and ASEAN this year as follows:

One, steady growth in trade and investment volume.

Data shows that trade and investment volume between China and ASEAN this year continued to grow at a rate of 30 percent. Trade between Singapore and China alone hit \$4 billion. ASEAN countries such as Singapore and Malaysia now rank as China's most important trading partners.

Investment by ASEAN businessmen in China topped \$2 billion, while China has undertaken engineering projects, developed labor cooperation, and opened 100 joint ventures in ASEAN countries.

Two, cooperation has become wider in scope and deeper. Against the background of extensive cooperation, regional cooperation is becoming a trend.

Economic cooperation and trade between China and ASEAN countries extended to entertainment, retail, manufacturing, petroleum, chemical, metallurgical industries and financial business. Cooperation has been strengthened in wholesale land development and infrastructural projects. Banks from ASEAN countries closely followed their businessmen into China and injected vitality into bilateral economic cooperation and trade.

Linglong [3781 3891] Incorporation of Malaysia, which made its entry into China only this October, has expressed interest in the development of China's coal-powered electric plants and highways. Apart from an industrial garden in Suzhou, Singapore has participated in the wholesale land development in Yintan City, Jiangxi Province. The Philippines are also involved for the first time in wholesale land development in Shishi City, Fujian Province.

Cooperation centering on the "Lancang Jiang-Mekong River Economic Circle" between Yunnan of China and South East Asian countries, such as Thailand, is in full swing, prompting regional cooperation between China and ASEAN countries. More wishes for cooperation have been witnessed between Thailand and Sichuan, the Philippines and Indonesia and Fujian, and Singapore and Jiangsu and Shandong.

Three, the appearance of joint-investments, a new form of investment.

This year, economic cooperation and trade between China and ASEAN countries changed from the "isolated duels and solo fighting" pattern, into joint investment. There are Thai-Singapore joint-venture investments in South East Asia and south China; Indonesia and other countries play a part in the joint-investment in a Thai-China satellite joint venture. Talks are underway between Germany and Singapore for joint development in Shandong and Wuxi; France is interested in joining Singapore's Suzhou Industrial Garden project. Joint investment integrates capital and technology in a better way and strengthens investment spending and, therefore, boosts its effect.

Four, officials' active attitude, encouragement, and guidance for bilateral economic cooperation and trade.

There were frequent visits between Chinese and ASEAN state leaders this year. Many of them accompanied by business people, signalling a strong wish from both parties to strengthen economic cooperation and trade. It was as if each visiting state leader was playing the role of the "best salesman."

Malaysian Prime Minister Mahathir, Philippine President Ramos, Singaporean Prime Minister Goh Chok Tong, and concerned Thai officials all stated, in public, their full support to their businessmen in pursuing cooperation with China, suggested learning the Chinese language, laid the groundwork for telecommunications, and urged Chinese businesses to enter the ASEAN market. Chinese government officials also stated, more than once, their support for Chinese firms to invest in ASEAN countries and moves to make it convenient for ASEAN business interests to develop in China.

Several things merit special mention: The first official ASEAN delegation visited China for talks on economic, trade, and technological matters; Chinese Foreign Minister Qian Qichen was invited to sit at a conference of ASEAN foreign ministers; ASEAN officially agreed to set up a special committee to coordinate and promote economic cooperation and trade between China and ASEAN countries. Without a doubt all these positive moves have increased business confidence and will certainly have a positive impact on bilateral economic cooperation and trade.

Five, mutual promotion and common prosperity are the consensus between the two sides.

China and ASEAN countries share the wish for cooperation, preserving differences, and seeking common grounds so that the entire region will prosper. Hartarto, Indonesian coordinating minister for industrial and trade affairs, once stated that the countries should reinforce each other economically to achieve common prosperity. He said that Indonesia is determined to become a newly industrialized nation in 25 years. Aside from its own efforts, it needs cooperation with other countries. An editorial in Singapore "LIANHE ZAOBAO" [United Morning Post] pointed out that the Singapore Industrial Garden project in China is a significant turning point for Singapore in its effort to internationalize its economy, while China has for its part consistently upheld the approach of developing economic cooperation and trade with ASEAN countries in a mutually beneficial manner.

Concerned experts believe steady economic cooperation and trade between China and ASEAN countries will continue next year and feature new elements. Cooperation between Chinese private enterprises and their ASEAN counterparts will become an important means of economic cooperation and trade between China and ASEAN countries.

President Clinton in Moscow for Talks With Yeltsin

Visit To Further 'Bilateral Relations'

OW1301103294 Beijing XINHUA in English 0852
GMT 13 Jan 94

[Text] Moscow, January 13 (XINHUA)—U.S. President Bill Clinton and his Russian counterpart Boris Yeltsin began their first round of talks in the Kremlin today.

Clinton, who arrived in Moscow at about 01:00 (Moscow time) early this morning for a three-day official visit, said at an official ceremony for the meeting that his visit aims to continue building "new partnership with new Russia."

Yeltsin, in turn, said he hoped the U.S. President's visit may further bilateral relations.

The ceremony, which took place at the St. George Hall of the Grand Kremlin Palace at about 09:00 this morning, started by a rendition of the national anthems of the two countries.

The U.S. President came to the Kremlin from the five-star "Radisson-Slavyanskaya" hotel near the Moskva River, where he is staying while in Moscow.

According to his visiting program for today, Clinton was to sit down for the first round of talks with Yeltsin at about 09:20 A.M.. At 10:30 A.M., Yeltsin will take Clinton on a brief tour of the Kremlin. At 11:15 A.M., they will continue their talks joined by accompanying officials.

In the afternoon, Clinton will depart from the Kremlin for the Danilovskiy Monastery to meet Aleksiy II, patriarch of the Russian Orthodox Church.

Discuss Variety of Issues

OW1301100394 Beijing XINHUA in English 0925
GMT 13 Jan 94

[Text] Moscow, January 13 (XINHUA)—Russian President Boris Yeltsin and his U.S. counterpart Bill Clinton began their first round of talks here at 9:30 this morning.

The two leaders are focusing on Russian-U.S. economic and political ties, reforms in Russia, international security and regional conflicts, nuclear non-proliferation and dismantling of nuclear weapons in Ukraine.

Prior to their talks, the two presidents said they believed the dialogue this time would help foster world peace and tranquility and deepen bilateral cooperation.

Discuss Reform in Russia

OW1301111594 Beijing XINHUA in English 1035
GMT 13 Jan 94

[Text] Moscow, January 13 (XINHUA)—U.S. President Bill Clinton and Russian President Boris Yeltsin

resumed here this morning their talks in a "broader format," soon after they made a short tour of the Kremlin.

Earlier, the two leaders held their first round of talks in a "narrow format" at the Green Hall of the Grand Kremlin Palace.

Reliable sources told reporters that Clinton and Yeltsin discussed results of the December elections in Russia, political and economic reforms in the country and issues of world security and nuclear non-proliferation.

In addition, the two sides stressed the importance of Ukraine's readiness to sign, together with Russia and the United States, an agreement withdrawing nuclear weapons from its territory. The accord will be signed in Moscow on Friday [14 January] by leaders of the three nations.

Clinton and Yeltsin also discussed the radar station problem between Russia and Latvia.

Second Round of Talks End

OW1301150094 Beijing XINHUA in English 1359
GMT 13 Jan 94

[Text] Moscow, January 13 (XINHUA)—U.S. President Bill Clinton and Russian President Boris Yeltsin ended their second round of talks here this morning, which focused on economic cooperation.

The talks, scheduled for 70 minutes, lasted more than 90 minutes, said Oleg Lobov, Russian National Security Council secretary.

He said the talks included discussions of economic cooperation between Russia and the United States, as well as U.S. assistance for Russia's economic reforms, including how to build closer ties between Russia and international lending organizations such as the World Bank and the International Monetary Fund.

Yeltsin spoke to Clinton of "positive shifts" in the process of reform, and said that they will not slow down.

Clinton said the United States would provide "maximum support" for the reform process, particularly in the social sphere.

The two presidents will meet again Friday [14 January] morning after the planned tripartite summit with Ukrainian leader Leonid Kravchuk, during which a historical agreement "to make the world a safer place with fewer nuclear weapons" is due to be signed by the leaders of the three countries.

Kravchuk will arrive in Moscow this afternoon, and is expected to sign an agreement on Friday to remove the 176 nuclear missiles and 1,500 nuclear warheads which were deployed on Ukrainian territory by the former Soviet Union.

In the first round of talks this morning, which lasted one hour, the two leaders focused on the political and economic situation in Russia, said Vyacheslav Kostikov, the Russian presidential spokesman.

Clinton introduced the "partnership for peace" proposal to Yeltsin, said Kostikov, who added that the concept is still little known in Russia.

The problem of possible NATO expansion was also discussed during the initial talks.

U.S., Russian Foreign Ministers Draft Agreements

OW1301125994 Beijing XINHUA in English 1231 GMT 13 Jan 94

[Text] Moscow, January 13 (XINHUA)—While U.S. and Russian presidents were holding their first round of talks this morning, their foreign minister and secretary of state prepared a package of draft agreements due to be signed by the two leaders.

Russian Foreign Minister Andrey Kozyrev and U.S. secretary of state Warren Christopher held close-door meeting in the Yellow Hall of the Kremlin to complete the documents today.

Among the major documents to be signed are the Moscow Declaration on the Outcome of the Clinton Visit, a memorandum on cooperation in export controls, and a joint statement on the Middle-East peace process, according to official sources here.

The two foreign ministers also discussed the result of the NATO summit held earlier this week in Brussels.

Kozyrev said the U.S. Partnership for Peace Proposal, adopted by the NATO summit, "suits Russia well," and that Russia considers it capable of leading to large-scale cooperation among all countries "interested in it."

U.S., Greece To Hold Joint Military Exercises

OW1301140294 Beijing XINHUA in English 1311 GMT 13 Jan 94

[Text] Athens, January 13 (XINHUA)—Greece and the United States will hold a joint military exercise in the Aegean Sea in April, the Greek media reported today.

The full-scale exercise will involve army, navy, and air force units, and conclude with a landing on the northern Sporades Island of Skyros. The American units will be led by a helicopter carrier.

The joint U.S.-Greek maneuver will be similar to an all-forces exercise held by American and Greek units on Greek territory last year under the code name "Alexandros."

Preparations are also being finalized for a full-scale exercise in the Central Aegean involving all branches of the Greek Armed Forces later this month.

This exercise will begin on January 17, and conclude on January 22 with a landing at Argolis. It will be the first military exercise comprising the army, navy, and air force in several years.

United States & Canada

Commentator Views Textile Quota Issue

HK1301110594 Beijing GUOJI SHANGBAO in Chinese 9 Jan 94 p 1

[Commentator's article: "An Unwise Move"]

[Text] On 6 Jan, disregarding the fact that Sino-U.S. textile talks had not yet been concluded, the U.S. government unilaterally announced that as of 17 Jan, the textile import quota for China in 1994 would be cut by 25 to 35 percent from that of 1993. Such a move would seriously damage normal Sino-U.S. trade and naturally has prompted vigorous protests from Chinese officials. It has also infuriated Chinese industrial and commercial sectors, apart from causing dissatisfaction among American importers and consumers.

The U.S. government cited the so-called "illegal transit" of China-made textile products, through third-world countries, into the United States, as reason for its move, which is untenable.

The textile product quota system is a means of regulation for normal textile trade. It was arrived at through negotiations on equal footing between the Chinese and U.S. governments and, as such, is totally unrelated to illegal textile transit. The Chinese government always opposes the illegal transit of textile products and deals with such practices sternly, when there is solid evidence. In fact, last year, China's MOFTEC publicly punished nine enterprises for such illegal practices, and called two special national conferences in connection with cracking down on illegal textile transit. The United States was well aware of the efforts China has made and their effects in this regard. But the U.S. government ignored these facts and arbitrarily extended the accusation to normal textile trade. This is completely wrong.

Trade disputes can only be solved through talks based on the principle of equality and mutual benefits. The U.S. government's latest move runs directly against this principle and has violated the GATT free trade rule and regulations of the International Multi-Fibre Agreement.

The United States should not imagine that its action can force China to yield. It will not achieve this. The Chinese people have never bowed to any external pressure. The U.S. unilateral cut in China's textile quota assuredly will hurt Chinese textile production and exporting firms. But ultimately it is its American textile importers and consumers who are going to be hurt. American firms

engaged in joint-venture textile production and technological cooperation in China will also be hit hard. The serious consequences of such a move will also affect other American industries.

China's MOFTEC has solemnly declared that China will continue talks as originally planned in order to solve the problems through consultations. If the United States clings obstinately to its course, it will force China into a position where it has to adopt corresponding retaliatory actions. We hope the U.S. government will change its course, immediately correct the wrong action, and return to the path of consultation on equal footing in order to safeguard the normal development of Sino-U.S. trade and overall Sino-U.S. relations.

Rong Yiren, U.S. Senator Kerry Meeting Noted

OW1301082094 Beijing XINHUA in English 0801
GMT 13 Jan 94

[Text] Beijing, January 13 (XINHUA)—Sino-U.S. relations should grow on the basis of mutual respect and seeking common ground while preserving differences, China's Vice-President Rong Yiren said here this morning.

When meeting with visiting U.S. Senator John F. Kerry, who is also a member of the Senate Foreign Affairs Committee, Rong noted that China and the United States have no conflicts of fundamental interests.

Instead, he added, the improvement of bilateral relations is not only in the fundamental interests of the two peoples but is beneficial to world peace and development.

More U.S. statesmen and entrepreneurs are welcome to visit China and make joint efforts with their Chinese counterparts to enhance mutual understanding and prompt exchanges and cooperation in the fields of trade and economy, science and technology, Rong told Kerry.

"Given the different cultural and historical backgrounds as well as social traditions, it is normal that China and the United States hold different views on some issues," Rong said.

"The differences should be resolved through equal consultations in the spirit of mutual respect and seeking common ground while preserving differences."

Kerry said that during his current visit, he has witnessed the major progress China has made in many fields.

Rong and Kerry exchanged views frankly on the renewal of China's most-favoured-nation trading status.

Zhu Liang, chairman of the Foreign Affairs Committee of the Chinese National People's Congress, was among those who participated in the meeting.

NPC Official Receives U.S. Education Official

OW1201143794 Beijing XINHUA in English 1404
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—A celebration was held here this evening to mark the 10th anniversary of effective cooperation between the Chinese State Bureau of Foreign Experts (SBFE) and U.S. Educational Services Exchange with China (ESEC).

Lei Jieqiong, vice-chairwoman of the Standing Committee of the Chinese National People's Congress [NPC], and Danny Yu, president of ESEC, were present on the occasion.

Ma Junru, director-general of SBFE, said at the celebration that the cooperation between SBFE and ESEC "has been fruitful" since the two established ties in 1983.

Over the past 10 years, ESEC has sent more than 700 English teachers to Chinese universities and held 510 sessions of English training classes in China, Ma said.

It has also hosted 85 sessions of international trade classes which trained over 3,400 Chinese students in international trade, Ma added.

ESEC has also set up relationships with some Chinese universities and educational study institutes as well. It has successfully held three evaluation symposiums on China's higher education with related Chinese universities and institutes.

A new cooperative agreement between SBFE and ESEC was signed here this afternoon.

Army Paper Views U.S. Military Strategy Change

HK1101150794 Beijing JIEFANGJUN BAO in Chinese
5 Jan 94 p 4

[By Shang Jie (1424 2638): "U.S. Military Strategic Adjustment Revolves Around 'Economic Security'"]

[Text] Since he became President of the United States, Clinton has adjusted and supplemented the Bush Administration's "regional defense strategy" according to the international situation, the strategic pattern in the post Cold War era, and U.S. economic demands. Now a new U.S. military strategy is beginning to take shape. Specifically, its contents are: Full attention to "economic security," maintaining reasonable military superiority, and strengthening the power to intervene in regional conflicts.

What confronted Clinton when he entered the White House was a combination of weakening American economic power and a further destabilized situation in international security. He holds that the United States should stop approaching national security in the narrow, Cold War-style military terms. National security is above all economic security, and economic revitalization

should be an overwhelming priority. The United States could not speak of itself "as a world leader" if it did not do that.

To realize the strategic goal that "national security means primarily economic security," the Clinton Administration decided to conduct an overhaul of U.S. military structure. The military structure of the Cold War era will be replaced by a smaller but more flexible military force. The first step is to effect a reasonable cut in military force. By 1997, total troops on active service will have been cut to 1.4 million. Second, scale down the procurement of strategic nuclear weapons and high-tech conventional weapons, stop the enormously costly Strategic Defense Initiative project, and propose to reduce national defense expenditures by one third. Third, implement the "military-to-civilian conversion" plan to trim the national defense work force. Fourth, reduce the size of U.S. forces stationed in Europe and Asia, including slashing overseas military bases, installations, and troop strength. Fifth, heighten military attention to areas of concern to U.S. economic interests. But, in sharp contrast to U.S. overall troop cuts, troops stationed in the Middle East have been increased from the original 5,000 to 30,000 at present, indicating U.S. seriousness about safeguarding its lifeline—oil.

To ensure that the economic security strategy achieves its objectives, Clinton has vigorously tried to maintain the United States' status as the world's only superpower by calling for adjustment in four areas of its military force. One, while reducing the nuclear arsenal, the military will maintain a vital deterrent nuclear force. In line with its nuclear force deployment principles, this may reduce the targets for nuclear attack plans but will include Third-World countries possessing or possibly possessing nuclear weapons as targets for strategic nuclear weapons. Regarding policies for nuclear force development, the goal is guaranteed quality, reasonable curtailment, maintaining research and development, halting production, scrapping the Strategic Defense Initiative project, and implementing the "anti-missile defense" plan. Two, changing the conventional force into a rapid-deployment force ready to move into areas where U.S. interests are under threat, this will enable the U.S. to intervene in regional crisis and conflicts anywhere around the world. Three, maintaining the superior military quality of the U.S. Army and its advanced weapons. Funding for developing new weapons technology will continue even during ongoing military expenditure cuts, the focus being weapon systems dealing with regional conflicts. Four, building an intelligence system capable of providing prompt, accurate analysis of the military, political, economic, and cultural conditions of an area of potential conflicts.

One notable feature of the Clinton Administration's military strategy is the increase in the strength of intervention in regional affairs. This forestalls any change in the international security structure that may be inimical to the United States. The Bush Administration's approach to regional conflicts was premised on the

international balance of power and its use of force was often reactive. Whereas Clinton believes in limited state sovereignty, favors preemptive measures, and advocates the legitimacy and efficacy of supra-national military intervention. To prevent a global proliferation of ballistic missile technology and weapons of massive destruction, the United States will exert pressure on, and even "punish," companies and countries it believes are selling such technology. The United States is also stepping up negotiations with all concerned countries for a strict mandatory international nonproliferation treaty.

Apart from continuing to stress the role of allies, the Clinton Administration has repeatedly stressed: Launching peace diplomacy, its readiness to act alone if necessary, reserving the right to "selective intervention"—with a majority of military interventions carrying a distinctively economic color. In handling relations with allies, the United States favors equal emphasis on cooperation and competition; that is, full cooperation in solving regional conflicts and expenditure and risk sharing among allies; but competition in economic fields to force allies to open up their markets. The United States also stresses the goal of controlling regional conflicts through the United Nations; different arrangements for security in different regions; and, above all, maintaining a powerful military presence in key conflict areas, such as the Middle East, viewed as a potential model for a regional security pattern.

Central Eurasia

Kazakh Defense Minister, Delegation Visit PRC

Interviewed Prior To Trip

OW1201072994 Beijing XINHUA Domestic Service in Chinese 1608 GMT 10 Jan 94

[By reporters Sun Zhanlin (1327 0594 2651) and Hu Xiaoguang (5170 2556 0342)]

[Text] Almaty, 10 Jan (XINHUA)—In an interview with a XINHUA NEWS AGENCY reporter on 10 Jan, General Nurmagambetov, Kazakh Minister of Defense, announced he will lead a Kazakh military delegation to pay a four-day official goodwill visit to China on 11 Jan. He stressed that the purposes of the visit were to get acquainted with Chinese military leaders and help "establish fraternal relations" between the armed forces of the two countries.

Nurmagambetov pointed out: China is a great neighbour of Kazakhstan. In his first visit to China as minister of defense, he will meet with his Chinese counterpart in order to establish dependable relations and deepen mutual understanding between the armed forces of the two countries. He hopes that the armed forces of Kazakhstan and China can learn from each other, share experiences, and watch each other's military exercises.

Speaking on Kazakhstan's army building, General Nurmagambetov said: The structure of Kazakhstan's armed forces is based on that of the former Soviet's forces in Kazakhstan. The military is not large-scale; however, it will be a well-equipped army with combat effectiveness.

General Nurmagambetov was born into a Kazakh family in 1924. Joining the army in 1942, he participated in the Great Patriotic War and was awarded the title of Hero of the Soviet Union. As a member of a delegation of former Soviet veterans, he visited China in 1991. He was appointed Kazakhstan's first minister of defense in May 1992.

Departs 11 Jan

OW1101105094 Beijing XINHUA in English 1023
GMT 11 Jan 94

[Text] Almaty, January 11 (XINHUA)—Kazakhstan's Defense Minister Sagadat Nurmagambetov is heading a military delegation to pay a four-day visit to China.

Upon his departure at the airport, Nurmagambetov told reporters that his visit would boost friendly relations between the two countries' armed forces.

This is the first visit to China by a Kazakhstan military delegation since the establishment of diplomatic ties between the two countries in January 1992.

Meets Chi Haotian

OW1101134394 Beijing XINHUA in English 1312
GMT 11 Jan 94

[Text] Beijing, January 11 (XINHUA)—Chi Haotian, Chinese State Councillor and defense minister, met with and hosted a banquet here this evening in honor of Visiting Kazakhstani Defense Minister Sagadat Nurmagambetov and his party.

This is the first visit to China by a defense minister of Kazakhstan since the country won its independence.

As Chi's guests, Nurmagambetov and his party arrived here this morning. In the afternoon, Chi hosted a welcoming ceremony for his Kazakh counterpart and held talks with him.

Talks With Zhang Zhen

OW1201104094 Beijing XINHUA in English 0956
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—The Chinese Central Military Commission Vice-Chairman Zhang Zhen met here this afternoon with visiting Kazakhstani Defense Minister Sagadat Nurmagambetov and his party, and they held cordial and friendly talks.

Zhang briefed the guests on China's economic and political situation, and noted that China adheres to an independent and self-determination foreign policy and takes no notice of differences between ideologies while dealing with state-to-state relations.

He emphasized that the Chinese Armed Forces will not commit aggression against other countries and will not tolerate other countries' aggression, either.

The Chinese People's Liberation Army shoulders the responsibility for safeguarding national defense and China's socialist system, as well as taking part in the country's socialist construction, he added.

The Chinese Armed Forces abide by an active defense policy and have the determination and confidence in realizing China's security.

Nurmagambetov expressed his admiration for China's marked achievements in its economic construction, saying that Kazakhstan should learn from China's experience.

He said that he is satisfied with his current China visit. Nurmagambetov and his party arrived here on January 11.

Southeast Asia & Pacific

Liu Huaqing on Official Visit to Singapore

Arrives 11 Jan

OW1101043794 Beijing XINHUA in English 0347
GMT 11 Jan 94

[Text] Singapore, January 11 (XINHUA)—General Liu Huaqing, vice chairman of the Central Military Commission of China and his delegation will start a four-day visit to Singapore this afternoon.

According to the Ministry of Defense of Singapore, during his first visit to the island country, Liu will meet senior minister Lee Kuan Yew and attend a dinner hosted by Minister for Defense Yeo Ning Hong later today.

The general will call on Prime Minister Goh Chok Tong and Lee Hsien Loong and visit resort Sentosa on Wednesday and Thursday and exchange views with them on regional issues.

Calls on Lee Kuan Yew

OW1101163794 Beijing XINHUA in English 1438
GMT 11 Jan 94

[Text] Singapore, January 11 (XINHUA)—General Liu Huaqing, vice chairman of the Central Military Commission of China, today called on Singapore's Senior Minister Lee Kuan Yew.

During their meeting, the two exchanged views on the bilateral relations between China and Singapore and the situation in Asia.

Liu said he was very satisfactory with the development of the bilateral relationship and the healthy cooperation between Singapore and China since the two countries established diplomatic relations in October 1990.

Commenting on the situation of Asia, Senior Minister Lee said that a group of new industrial countries would come onto Asian stage if peace and stability could be maintained in the future 20 to 30 years.

This would bring significant influence to the world, Lee said.

Agreeing with Lee, Liu emphasized that the peace and stability of the Asia-Pacific region would be very important not only to China, but also to all nations in Asia.

General Liu and his delegation arrived here this afternoon for a transit visit from January 11 to 14 between his official visits to Thailand and Indonesia.

During his stay in Singapore, Liu will call on Prime Minister Goh Chok Tong and Lee Hsian Loong and visit resort Sentosa on Wednesday and Thursday before leaving here for Jakarta.

Visits Prime Minister

OW1201170394 Beijing XINHUA in English 1648
GMT 12 Jan 94

[Text] Singapore, January 12 (XINHUA)—Visiting General Liu Huaqing, vice chairman of the Central Military Commission of China called on Singaporean Prime Minister Goh Chok Tong here today.

During the meeting, General Liu said China will learn from Singapore's development experiences. China is developing its economy so it needs a long-lasting peace and stability in the world.

General Liu and his party arrived here yesterday for a transit visit from January 11 to 14 between his official visits to Thailand and Indonesia.

The Chinese military leader said China is happy to see the ASEAN countries unite together for their economic development. It is absolutely necessary for establishing a long lasting friendly relationship between China and countries in Southeast Asia.

Earlier today, General Liu also called on Singaporean Defense Minister Yeo Ning Hong. During the meeting, Liu reiterated that China has always been sticking to the five principles of peaceful coexistence with all the countries.

As to exceptional problems on sovereignty, Liu said, "we should solve problems by negotiations and diplomatic channel instead of conflicts, putting aside the divergence and developing with mutual efforts."

Lieutenant General Xu Huizi, deputy chief of General Staff of the Chinese People's Liberation Army (PLA) called on Lieutenant General Ng Jui Ping, chief of defense force this morning.

NPC Establishes Bilateral Group With Indonesia

OW1201115194 Beijing XINHUA in English 1126
GMT 12 Jan 94

[Text] Jakarta, January 12 (XINHUA)—The bilateral cooperation group of the Indonesian house of representatives (DPR) [People's Representation Council] with the National People's Congress [NPC] of the People's Republic of China was officially set up here today.

Addressing the inaugural ceremony, DPR Chairman Wahono said that the establishment of bilateral groups for cooperation between DPR and the parliaments of friendly countries constitutes a step in the realization of people's aspirations with a view to achieving the goal of creating the world anew.

He wished that the establishment of the bilateral group for cooperation will hopefully become a good example and a basis for more comprehensive communications.

The group consists of 15 parliamentarians from the Functional Group (Golkar), the armed forces (ABRI) [Indonesian Armed Forces] the United Development Party (PPP) and the Indonesian Democracy Party (PDI) in the DPR. Chairperson of the group is Mrs. Tati Sumiyati Darsoyo of the Functional Group faction, who is chairman of DPR's external cooperation committee.

Present on the ceremony were Chinese Ambassador Qian Yongnian and other Chinese diplomats.

Up to the present, DPR has set up bilateral cooperation groups with parliaments of 13 countries.

Near East & South Asia

Wen Jiabao Delegation Leaves India for Bangladesh

OW1301080194 Beijing XINHUA in English 0717
GMT 13 Jan 94

[Text] New Delhi, January 13 (XINHUA)—A delegation of the Communist Party of China (CPC) led by Wen Jiabao, an alternate member of the Political Bureau and a member of the Secretariat of the Central Committee, left here today for Bangladesh after concluding its six-day visit to India.

During its stay in India, Wen Jiabao met general secretary of the Indian National Congress Party (I) S.K. Shindhi, India's Vice-President K. R. Narayanan and Prime Minister Narasimha Rao and exchanged views with them on bilateral relations and matters of mutual concern.

Both sides maintained that further development of the relations between the two nations is not only in conformity with the common aspirations and interest of the two peoples, but also conducive to peace and stability in the region.

Bangladesh is the last leg of the delegation's current visit to three Asian countries—Singapore, India and Bangladesh.

Indian Coal Delegation Arrives in Beijing

Meets With Li Lanqing

OW1201120094 Beijing XINHUA in English 1130 GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—Vice-Premier Li Lanqing met and held friendly talks with visiting Indian Minister of State for Coal Industry Aijit Panja on scientific research and technical cooperation in the field of coal industry here this afternoon.

Among those also taking part in the meeting was Chinese Coal Industry Minister Wang Senhao.

Panja and his party arrived in Beijing on January 9.

Signs Cooperation Agreement

BK1201130194 Delhi All India Radio Network in English 1230 GMT 12 Jan 94

[Text] India and China have agreed to set up a joint working group to broaden the scope of bilateral cooperation in coal mining. A document to this effect was signed in Beijing today by the secretary, Ministry of Coal and the Chinese vice minister. The document says that the working group would provide a formal framework to identify new areas of collaboration in future.

Sub-Saharan Africa

Qian Qichen Continues Visit in Africa

Received by Ethiopian President

OW1201150294 Beijing XINHUA in English 1407 GMT 12 Jan 94

[Text] Addis Ababa, January 12 (XINHUA)—Ethiopian President Meles Zenawi held talks with visiting Chinese Vice-Premier and Foreign Minister Qian Qichen here today on issues of mutual concern and bilateral relations.

During the talks, Meles told the Chinese guest that Ethiopia pursues a policy of good-neighborliness.

Qian expressed appreciation of the efforts Ethiopia has made for the settlement of the Somali crisis and the maintenance of regional peace and stability.

He said the Chinese Government is greatly concerned over the Somali problem and holds its final settlement is up to the Somali people.

Africa is facing a complex situation, the Chinese vice-premier said, adding two tendencies—neglect Africa or interfere in Africa's internal affairs—should be prevented.

The international community should show concern over Africa, help Africa, he stressed, saying if the political situation in Africa is unstable and its economy continues worsening, peace and development in the world cannot be truly achieved.

Qian said China has always been attaching an importance to strengthening its relations with african countries.

"China is a developing country with a limited strength, but we always cherish a stand on Africa. That is not to neglect the problems appearing in Africa and at the same time respect the will of the African people," he added.

The two leaders also discussed the way of further strengthening and developing bilateral relations, with Meles saying Ethiopia welcomes Chinese businessmen to invest and create enterprises in Ethiopia.

Qian promised the Chinese Government will encourage Chinese businessmen to enhance exchange of contacts and cooperation with their Ethiopian counterparts.

On the same occasion, Qian conveyed the greetings of Chinese president Jiang Zemin to Ethiopian President Meles Zenawi.

The Chinese vice-premier and foreign minister arrived here on Tuesday morning for a two-day visit to Ethiopia.

Meets Ethiopian Prime Minister

OW1201150794 Beijing XINHUA in English 1428 GMT 12 Jan 94

[Text] Addis Ababa, January 12 (XINHUA)—Ethiopian Prime Minister Tamirat Layne today met and held talks with visiting Chinese vice-premier and Foreign Minister Qian Qichen.

During their talks, Tamirat said that China has made a great success in reforms and its economy has experienced a high-speed development.

China's experience in reforms, especially in rural reforms, is of great significance to developing countries, he said, adding it is worthy for them to learn.

He added, Ethiopia is willing to strengthen cooperation and exchange experience with China in this field.

He said, Qian's visit will help further strengthen the existing relations of cooperation between the two countries.

The Chinese vice-premier said he has witnessed the positive changes in many fields of Ethiopia, political and social situation in the country is getting stable, the economy is developing, and the living conditions are being improved.

Both sides expressed satisfaction over the smooth development of their bilateral relations.

They shared common views on the issues they discussed during their talks.

Both sides expressed the hope that the standing friendly relations between the two countries will be further strengthened.

Visits Eritrea

*OW1201213594 Beijing XINHUA in English 2116
GMT 12 Jan 94*

[Text] Asmara, January 12 (XINHUA)—Chinese Foreign Minister Qian Qichen arrived here this evening for a visit to Eritrea.

He was met at the airport by Eritrean Foreign Minister Muhammad Ahmad Sharifo and some other senior government officials.

In a written statement issued at the airport, Qian Qichen, who is also Chinese vice-premier, said that Eritrea is a new-born and dynamic country in Africa, playing an important role in the regional affairs. "China and Eritrea are tied by friendship and cooperation," Qian added.

He expressed the hope that his visit will help enhance mutual understanding and friendship and promote the cooperation between the two countries and people.

This is the first visit of the Chinese vice-premier since Eritrea became an independent state in May last year.

Kenyan President Discusses Beijing Cooperation

*OW0401212094 Beijing XINHUA in English 2112
GMT 4 Jan 94*

[Text] Nairobi, January 4 (XINHUA)—Kenyan President Daniel Teroitich Arap Moi today called for further cooperation with China.

Moi made the call while inspecting a road project near Nakuru, capital of Valley Province, which is being constructed by the China Road and Bridge Engineering Corporation.

He said that the Kenyans should show more cooperation with the Chinese people, noting that there will be more roads to be built in the country under the cooperation with China.

The China Road and Bridge Engineering Corporation has been operating in Kenya for about eight years, investing in construction of roads, bridges and agricultural irrigation as well as the protection of wild life.

Kenyan President Meets Medical Survey Team

*OW0501223694 Beijing XINHUA in English 2158
GMT 5 Jan 94*

[Text] Nairobi, January 5 (XINHUA)—Kenyan President Daniel Teroitich Arap Moi said today the friendship

and cooperation between Kenya and China is very much cemented, hoping such relationship be promoted.

Receiving a 7-man medical survey team of China's Jiangsu Province at state house, Nakuru, some 150 kilometers west of Nairobi, Moi said China has a 5,000-year-long history and its people have their own ways of living.

"It is correct that I have decided to cooperate with China", he said.

He welcomed Jiangsu Province of China to invest in Kenya and set up a medicine factory in the country, saying it will benefit the common people.

Meanwhile, the president highly commended the quality of projects conducted by Chinese companies in Kenya, including the Moi International Sports Center.

The Chinese Jiangsu Province medical survey team arrived here on December 29.

West Europe

French Foreign Minister on Ties With PRC

Interviewed by XINHUA

*OW1301013894 Beijing XINHUA in English 0123
GMT 13 Jan 94*

[Text] Paris, January 12 (XINHUA)—Franco-Chinese ties are now "totally normalized," French Foreign Minister Alain Juppe said here today after the two governments issued a joint communique.

France and China have resumed "relations of trust," Juppe told reporters.

According to the joint communique, the Chinese side has reaffirmed its consistent principled position on the question of Taiwan, while the French side has confirmed that the French Government recognizes the government of the People's Republic of China as the sole legal government of China and Taiwan as an integral part of Chinese territory.

The communique says French Prime Minister Edouard Balladur will pay an official visit to China in the near future.

Juppe said the visit will take place "in a few weeks, perhaps in March," when the Daya Bay Nuclear Center in the southern Chinese province of Guangdong, which was built with help from France, is inaugurated.

Sources close to Balladur said that former French Minister Alain Peyrefitte will visit Beijing soon to attend ceremonies on January 27 for the 30th anniversary of the establishment of diplomatic relations between France and China.

The French prime minister has asked Peyrefitte to prepare "very attentively" for his China trip, the sources said.

'Restoration' of Ties Welcomed

OW1301052594 Beijing XINHUA in English 0510
GMT 13 Jan 94

[Text] Paris, January 13 (XINHUA)—The restoration of Sino-French relations has been welcomed by President of the France-China Committee Francois de Villepin.

He told XINHUA today that the joint communique between the governments of China and France signaled that their relationship was over the worst and ushered in a new era.

In an interview with the official Chinese news agency, de Villepin said that Sino-French friendship, on the basis of the traditional principles on which the two countries established diplomatic relations, would provide for fresh advantages politically for bilateral trade and economic cooperation.

Reviewing the bilateral relationship, he said that China's pursuit of the reform and opening policy constructed by senior leader Deng Xiaoping had been a major event of the past 30 years, ever since the two countries had forged diplomatic ties.

From the late 1970s, China has speeded up its international cooperation in trade and economy and secured one of the fastest economic growths in the world, the chairman said.

He added that increased bilateral cooperation could now be enjoyed in the future, alluding to low trade activities in the past.

During the first nine months of 1993, he told XINHUA, China's trade volume with France registered only a 33 percent increase, much lower than the 90 percent with Germany, 83 percent with Italy and 154 percent with Denmark.

During that period, France had lost potential trade with China worth a total of 6 billion francs (35.6 billion U.S. dollars), the France-China committee estimated.

De Villepin stressed that it is now in the two peoples' interest to improve their relationship and develop economic cooperation.

As permanent members of the United Nations, France and China should make efforts to help build a new world order and advance world peace and progress, de Villepin added.

East Europe

Rong Yiren Receives Romanian Delegation

OW1201094894 Beijing XINHUA in English 0852
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—Chinese Vice-President Rong Yiren said here today that the Chinese Government would take into full consideration the nation's capability to endure reforms, and would handle properly the relationships between reforms, development and stability.

Rong made the remarks here today when meeting this morning with a Romanian Government delegation headed by Mircea Cosea, Romanian minister of state and president of the Council for Co-ordination, Strategy and Economic Reform.

On China's reform and opening-up, Rong said the past decade had witnessed tremendous changes in the country's economic system, the rapid growth of its economy and the significant lifting of its people's living standards.

Planning and the market were both means which should be fully tapped to boost the development of the country, Rong stressed.

"What we mean by building a socialist market economy is to incorporate the socialist system into the market economy, allow market mechanisms to play a fundamental role in allocating resources under the government's effective macro-control, and to achieve both efficiency and fairness in our development," Rong said.

On future reforms, Rong noted that China would, as before, take the step-by-step manner in adopting further reform measures.

Welcoming the delegation, Rong said the two governments and the two peoples had enjoyed traditional friendship and long-time cooperation.

He expressed the belief that the visit would deepen the mutual understanding and friendship between the two governments and the two peoples, and help to promote the exchanges and cooperation in the reforms of their economic systems.

Cosea said Romania is very interested in China's economic reform and achievements.

The Romanian Government hopes that the traditional friendship between the two peoples would be further developed and the cooperative ties in economic reform and trade be further enhanced, he said.

The Romanian visitors came here on Monday [10 January] at the invitation of the State Commission for Restructuring Economic Systems. Wu Jie, vice-minister of the commission, took part in the meeting.

Heilongjiang Vice Governor Meets Romanian Group

SK0701064494 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 6 Jan 94

[Text] The government delegation of Ploesti city of Romania, headed by Mayor (Sanusescu), paid a courtesy call to the provincial people's government on the morning of 5 January. Vice Governor Chen Yunlin received all members of the Romanian city delegation.

Yugoslav Military Chief on Outside Interference

OW3012061893 Beijing XINHUA in English 0232 GMT 30 Dec 93

[Text] Belgrade, December 29 (XINHUA)—Momcilo Perisic [name as received], chief of the General Staff of the Yugoslav Armed Forces, today blamed foreign powers for the outbreak of the war in Bosnia-Herzegovina.

In an interview with the Yugoslav TANJUG News Agency and the Army newspaper, VOJSKA, Perisic accused foreign powers of pursuing a policy of instigation of war in Bosnia, which was to a large extent successful in spreading the war.

Most of the European countries had supported the separatist forces in the former Yugoslavia and provided them with military assistance, the chief of the general staff said, adding that the world's biggest firearm salesmen and war Mafia had a hand in the Balkan war.

Perisic stressed that the superpowers, in seeking their strategic interests in the Balkans, had used their trump card of military force. Even the U.N. force had become a tool in their pursuit of these interests, he added.

The Yugoslav military chief warned that the civil war in Bosnia, once spreading to the whole region, would run beyond control and threaten the security of those countries which had helped splitting the former Yugoslavia.

Political & Social

Wu Bangguo Addresses Shanghai CPC Committee

OW1201145194 Shanghai JIEFANG RIBAO in Chinese
23 Dec 93 p 1, 3

["Wu Bangguo Calls for Efforts to Accelerate Reform and Development under the Guidance of Deng Xiaoping's Theory of Building Socialism With Chinese Characteristics; Huang Ju Reports on Arrangements for Economic Work at the Second Plenum of the Sixth Shanghai Municipal CPC Committee"]

[Text] The Second Plenary Session of the Sixth Shanghai Municipal CPC Committee was held in the Shanghai Exhibition Center from 20 to 22 December.

Wu Bangguo, member of the CPC Central Committee Political Bureau and secretary of the Shanghai Municipal CPC Committee, delivered an important speech at the meeting. The speech was entitled: "Accelerate Reform and Development and Strive To Create a New Situation of Shanghai's Work Under the Guidance of Comrade Deng Xiaoping's Theory of Building Socialism With Chinese Characteristics." Huang Ju, deputy secretary of the municipal party committee and mayor of Shanghai, made a report on Shanghai's arrangements for implementing the guidelines of the national conference on economic work.

The main themes of the discussion at the meeting were to further study Volume 3 of the *Selected Works of Deng Xiaoping* and the "decision" of the Third Plenary Session of the 14th CPC Central Committee; to emancipate the mind and unify the understanding under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; to sum up this year's work and put forward ideas for next year's work; to mobilize all party members and the people in Shanghai to seize the opportunity to speed up reform and development; to strive to make a breakthrough in taking the lead in building the operating mechanisms of a socialist market economy; and to make efforts to maintain the favorable momentum of sustained, rapid, and healthy development of our national economy.

The plenary session maintained: In the current year, a new situation has been created in the various aspects of Shanghai's work under the correct leadership of the CPC Central Committee and the State Council, and through the common efforts of the broad masses of cadres and people throughout the municipality. The national economy continues to follow a favorable trend of development on the foundation of last year's rapid growth. Our economic restructuring has been further deepened, and the basic role of the market in the allocation of resources has been further enhanced; new progress has been made in our efforts to attract foreign capital and develop Pudong; fruitful results have been accomplished in infrastructural construction, and new achievements

have been made in various undertakings. The change-over of leading groups at various levels in the party and the government has been smoothly completed, and party building has been further strengthened. Presently, the overall situation in Shanghai is good, being characterized by political and social stability, and economic development. The confidence of the people in realizing a glorious tomorrow has been boosted.

The plenary session held that Shanghai's new achievements this year in the building of the material and spiritual civilizations have been made with the concern and support of the CPC Central Committee and the State Council, as well as that of Comrade Deng Xiaoping and other revolutionaries of the older generation; that they are also the fruits of arduous struggle and hard work of the broad masses of people; and that they could not have been made without the efforts of the municipal party committees and governments over the years in laying a solid foundation, as well as without the staunch support shown by the various ministries and commissions under the central government, without the support given by various brotherly provinces and municipalities, and without the participation and support of the broad masses of commanders and fighters from the troops stationed in Shanghai.

The plenary session stressed: The economic work for next year will be launched on the basis of the sustained, rapid, and healthy economic growth over the past two years, and it must have a higher starting point. We should maintain the favorable momentum of Shanghai's economic development under the premise of combining the market, product quality, and economic benefits. We should continue to increase the proportion of the tertiary industry in our gross national product. We must give priority to road and power construction, speed up urban infrastructural construction, and strive to complete a number of major engineering projects. We should accelerate Pudong's pace of development and opening up to the outside world, and keep up the forceful momentum of economic development in the new area. We should, on the basis of our economic development, further raise the actual living standards of urban and rural people. Economic development calls for new ideas, and it is necessary to firmly grasp the key links that have a bearing on the overall situation of Shanghai, and to earnestly study the new situation and new problems that have emerged in the course of our economic work so as to really direct our economic construction onto the track of improving our economic results. We must further heighten our consciousness toward market competition, actively develop domestic and foreign markets, strengthen our business management, and enhance our enterprises' quality and competitive edge. We must, under the guidance of macro-control, raise funds through multichannels and make good use of the funds to increase our economic returns. We should further expand our scale of bringing in foreign capital, broaden the scope for utilizing foreign funds, and strive to integrate our utilization of foreign funds with readjustment

of industrial structure, product structure, and development of new economic growth, as well as give full play to Shanghai's superiority in technology and qualified personnel to develop new and high-technology industries along with a new generation of pillar industry, and establish a number of major groups and large companies with an international competitive edge. We must practically consolidate the role of agriculture as the foundation of the national economy, strive to develop agriculture that produces high-yield, high quality products with high economic efficiency, develop village and town enterprises as well as the tertiary industry, and push forward the urbanization construction in the rural areas.

The plenary session pointed out: In the past few years Shanghai's economy has been able to maintain a favorable momentum of development mainly because it has benefited from reform and opening up to the outside world. We must consolidate our reform achievements, and we must uphold and strive to constantly improve what has proven effective. In accordance with the requirements of the "decision" of the Third Plenary Session of the 14th CPC Central Committee, we should make the deepening of reform and the active exploration for a modern enterprise system the emphasis of accelerating the reform next year. We must give play to the basic role of the market in the allocation of resources under macroeconomic control, further cultivate and develop markets for production factors, strengthen the standardized administration of the market, and actively carry out reform of prices in a steady way. In line with the unified plan of the central authorities, we should actively accelerate reform of the taxation, financial, investment, and planning systems. While promoting the development of the state-owned and collectively owned sectors of the economy, we should encourage the development of individual undertakings and privately owned and foreign-owned enterprises. In the new year, leading cadres at all levels should keep in mind the overall situation, straighten out the overall structure and relationship of interests among different sectors, do a good job in ideological work, show concern for the vital interests of the masses, and ensure the smooth implementation of all reform measures.

The plenary session held: Strengthening the building of a socialist spiritual civilization and sticking to the principle that both material civilization and spiritual civilization should be promoted in real earnest and neither aspect should be neglected constitute the important content of building socialism with Chinese characteristics; the requirements for Shanghai's work set by the party Central Committee, the State Council, and Comrade Deng Xiaoping; and the wish of the Shanghai people. In the course of developing a socialist market economy, we should strengthen education on patriotism, collectivism, and socialism; strengthen the building of professional ethics, social morality, and family moral principles; and actively carry forward the 64-character pioneering spirit initiated by Comrade Jiang Zemin. We should carry out our propaganda work and education in

conjunction with the education on cherishing Shanghai and on realizing the goal of creating major changes in three years and with the efforts to improve Shanghai's appearance and environment, to provide civilized good-quality services, to flourish our cultural undertakings, and to mobilize all trades and professions to achieve outstanding results and present them as a gift to the 45th anniversary of the founding of New China. We should further strengthen our comprehensive effort to improve social security, crack down on criminal activities according to law, resolutely check all ugly phenomena in society, persist in launching the anticorruption struggle, and create a favorable social environment for reforms, opening up to the outside world, and economic construction.

The plenary session issued the following requirements: Party organizations at all levels must take the study of Volume 3 of the *Selected Works of Deng Xiaoping* and the "decisions" of the Third Plenary Session of the 14th CPC Central Committee as their priority tasks for 1994, unify their thinking, and unify their action. Party and government leading cadres should take the lead in studying the works. They should read the original works seriously, trying to understand and master them. They should carry forward the Marxist study style of integrating theory with practice, consciously integrate the guidelines of the Central Committee with work in their localities and departments, and improve their work style and leading ability. In studying the works, they must stick to the quintessence of emancipating the mind and seeking truth from fact; seize "the last opportunity" for Shanghai's development in the 1990's; enhance their sense of responsibility and urgency; be modest and prudent; continue to advance; consciously adhere to the principle of "conductive to three causes"—conductive to developing the productive forces of our socialist society, increasing the overall strength of our socialist country, improving the people's living standards; be fearless in practice; be brave in pushing forward reform and construction; and creatively do their tasks well.

The plenary session issued the following calls: All communist party members and people in Shanghai, under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and under the leadership of the party Central Committee with Comrade Jiang Zemin at the core, conscientiously implement the guidelines of the Third Plenary Session of the 14th CPC Central Committee, work with one heart and one mind, unite in struggle, and make new contributions to fulfilling Shanghai's grand goal of reform and construction.

The plenary session decided to promote Bao Qifan, alternate member of the municipal party committee, to its member.

Attending the session were 51 members and alternate members of the municipal party committee. More than

150 party and government responsible cadres from various departments, commissions, offices, districts, counties, and bureaus attended the session as observers.

State Council Issues Public Service Plan

OW1201234794 Beijing XINHUA Domestic Service in Chinese 0240 GMT 16 Dec 93

[Text] Beijing, 16 Dec (XINHUA)—The State Council recently issued a circular on implementing the public service system plan, calling on all localities and departments to seriously implement the plan in consideration of their actual situation.

The circular states: To formulate and implement the public service system is an important event in China's political life. It is an important content of the reform of the political system, as well as a necessity in establishing a socialist market economy. It is of great significance to increasing the building of clean and honest government as well as to improving the quality of state functionaries and the efficiency of the administration. All localities and departments should attach great importance to the public service system and conscientiously strengthen leadership over its implementation.

The circular points out: The public service system should be carried out step by step in a planned manner in conjunction with organizational reform. The personnel positions, staffing, and non-leadership jobs must not be finalized before the "three-fix" plan (san ding fang an 0005 1353 2455 2714) is approved. Units which have not yet carried out organizational reform should actively organize the implementation of the systems for hiring, performance appraisal, awards, discipline, training, challenge (hui bi 0932 6699), and retirement. During the course of implementing the public service system, it is strictly prohibited to enlarge the scope of implementation, establish unauthorized positions, and rush promotion or transfer of cadres. Violation of regulations should be corrected in good time, and leading cadres concerned should be blamed for the violation.

The implementation plan for the public service system contains clear and definite stipulations on the scope, procedures, and methods of implementation. It also sets specific requirements for the current office staff to transit to the public service system, for the rank and grade of public servants, and for the establishment and appointment of non-leadership staff members. The plan emphasizes the necessity to implement the public service system under the leadership of party committees and governments, pay attention to studying new circumstances and new problems during the implementation, seriously strengthen the ideological and political work, and ensure a smooth implementation.

Central Propaganda Official Addresses Press Meeting

HK1201145594 Nanning Guangxi People's Radio Network in Mandarin 1130 GMT 7 Jan 94

[Text] From 4 to 7 January, the Propaganda Department of the CPC Central Committee and the State Press and Publications Administration (SPPA) jointly held a national forum in Nanning on the weekend pages of newspapers. The turnout was over 60, including Gong Xinhan, deputy head of the Central Propaganda Department; Liang Heng, deputy director of the SPPA; Yang Jichang, standing committee member of the Guangxi regional CPC committee and head of the provincial propaganda department; and representatives from propaganda, press, and publication units and newspapers around the country.

Gong Xinhan, deputy head of the Central Propaganda Department made an important speech on "highlighting the keynote without neglecting diversity, running weekend pages well, and bringing into full play of the role of weekend pages in the building of spiritual civilization."

He pointed out: A weekend page, as an extension of a newspaper proper, should consistently adhere to Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics as the lodestar; adhere to the party's basic line of "one center, two basic points" and the spirit of the 14th national party congress; adhere to the orientation of serving the people and socialism; adhere to the principle of "unity, stability, inspiring, and predominance of propaganda on positivity"; focus on cultivating and fostering lofty values in people and advocating correct ideas, beliefs, outlook on life, and values; and create a fine environment for reform, opening up, and socialist modernization in terms of media guidance and social mentality. Weekend pages should have differential and healthy styles and characteristics. Their contents should be of a refined taste, colorful, lively, and well accepted by the reader. It is necessary to highlight the keynote and make energetic efforts in propaganda on patriotic, collectivist, and socialist ideas; actively advocate a correct life outlook, values, and civilized lifestyle in the context of market economy; oppose money worship, out-and-out individualism, and decadent lifestyle; arouse enthusiasm for study and give full, effective play to the positive role of weekend pages in the building of socialist spiritual civilization.

Gong Xinhan also pointed out in his speech the problems that had been observed in quite a few weekend pages for some time. He gave a careful analysis of the causes of those problems and demanded that substantial and effective measures be taken to change them.

He emphasized: The propaganda departments of party committees at various levels and the units in charge of newspapers with weekend pages should strengthen leadership and management.

Gong Xinhan also commented on the improvement of editorial personnel.

At the forum, the representatives spoke out freely, shared experiences in running weekend pages well, and explored ways to improve them. They agreed that they should make concerted efforts to upgrade weekend pages of their newspapers to a new standard.

Liang Heng, Yang Jichang, and Xu Xinhua, director of the Information Bureau of the Central Propaganda Department, also spoke at the forum.

Reports on Paying Arrears of Teachers' Salaries

XINHUA Commentator Notes Problems

OW1301045294 Beijing XINHUA Domestic Service in Chinese 1100 GMT 12 Jan 94

[XINHUA commentator's article: "Ensure Payment for Teachers' Overdue Salaries"]

[Text] Beijing, 12 Jan (XINHUA)—The new year has passed; however, in some localities teachers' overdue salaries have not been paid. The Spring Festival is approaching, but some teachers have not received payment for their work for the entire year.

The State Education Commission recently disclosed to the press that new progress has been made nationwide in paying the overdue salaries of primary and middle school teachers. However, ten provinces have made slow progress in this regard.

It goes without saying that delaying payment for teachers' salaries is not allowed. Teachers put in a lot of hard work to impart knowledge and educate people. Certainly they deserve payment according to their work. No matter what causes the delay, it is unbearable and unreasonable in terms of common sense and reason. Today, when we value education and respect teachers more and more, such absurd phenomenon must not occur.

In principle, the key to solving the problem lies in local governments, particularly major leaders. According to the regulations of China's "Compulsory Education Law," local party committees and governments entrusted with developing China's education are responsible for placing priority on developing education and on truly respecting teachers and valuing education; they also are responsible for taking resolute measures to ensure local input into education. Among these responsibilities is paying salaries to teachers in full and in a timely manner.

Governments at all levels should pay close attention to solving this payment arrears problem within a specified time. This is not only an issue of attitude, but also relates to China's educational development. Since the central authorities repeatedly lay injunctions on localities to solve the problem of teachers' overdue salaries, some

localities have moved slowly or even made various excuses to postpone action. This is absolutely not allowed.

To strictly follow the arrangement made by the central authorities' relevant departments, to adopt feasible measures, and to ensure payment for teachers' overdue salaries by the Spring Festival so middle and primary school teachers can enjoy a happy Spring Festival—these tasks should be handled thoroughly and importantly by party and government departments in those localities where teachers' overdue salaries have not been paid yet.

It is hoped payment for teachers' salaries will no longer be delayed.

Henan Governor Comments

HK1201125994 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 5 Jan 94

[Excerpts] Yesterday morning [5 January], provincial Governor Ma Zhongchen paid a visit to the teachers and students in Zhengzhou University and made a report on Henan's reform and development in 1994. In his report, Ma Zhongchen briefly talked about Henan's economic development in 1993 and gave a detailed description of the main objectives and reform policies for 1994.

Ma Zhongchen said: The Third Plenary Session of the 14th CPC Central Committee set the objective of establishing a socialist market economy system in China. The establishment of this system makes new and increased demands on higher education. For some time to come, the central tasks of our province's higher education are to deepen the reform and to improve the quality of teaching and efficiency of operation. It is necessary to emancipate the mind, change the current state of closed operation, gradually open universities up, and achieve a higher gains-to-scale ratio. [passage omitted]

Ma Zhongchen called on party committees and governments at various levels to conscientiously act in accordance with the "Teachers' Law" and the "Program for the Reform and Development of Comprehensive Education," truly put education in a strategic position for priority development, and further foster a fine social atmosphere of respecting teachers and valuing education.

With regard to the problem of teachers' salary arrears in some places in the province, Ma Zhongchen demanded that the principal leaders of party committees and governments in those localities attend to this matter personally and adopt all necessary measures to ensure that teachers get their salary arrears before the Spring Festival, so that they can have a good holiday. [passage omitted]

Xinjiang To Settle Issue by Spring Festival

OW1301044094 Urumqi Xinjiang Television Network
in Mandarin 1330 GMT 12 Jan 94

[From the "Xinjiang News" program]

[Text] On the morning of 11 January, Acting Chairman Abulaidi Amurdurexiti presided over a coordination meeting on back pay owed by enterprises and establishments. At the meeting, it was decided that all outstanding pay for teachers and workers should be paid by the Spring Festival.

For historical and geographical reasons, economic development in our region has been rather uneven over the years, and some prefectures remain quite impoverished. This plus mismanagement and inefficiency of many enterprises have resulted in back pay in many localities. To solve this real difficulty for teachers and workers, the regional government convened a meeting of leading officials of the economic commission, banks, financial departments, labor departments, planning commissions, and education commissions to look into the situation of back pay and come up with a solution.

At the meeting, regional leaders Abulaidi Amurdurexiti, Wang Lequan, Wang Yousan, and (Ufuer Abudula) asked in great detail about the back pay situation in various sectors, offered their views on how to settle the problems, and criticized some departments for incompetence and mismanagement.

It was decided at the meeting that the regional treasury should come up with 200 million yuan to pay the arrears. Outstanding wages owed by enterprises should be paid with bank loans. All back pay for teachers and workers must be paid by the Spring Festival so they will be able to have a satisfying holiday.

Yunnan Settles Issue

OW1301011394 Kunming Yunnan Television Network
in Mandarin 1130 GMT 12 Jan 94

[From the "Yunnan News" program]

[Text] It has been learned from the provincial Education Commission that as of the end of 1993 our province had settled the long-drawn-out problem of back pay for teachers. For years the provincial CPC committee and the government have conscientiously implemented the policy of making education the foundation and invigorating Yunnan through application of scientific and technological advances. Year after year, the province's treasury has set aside sufficient funds for teachers' pay and has steadily increased spending on education. However, from time to time last year, reports were heard that some localities diverted funds for teachers' pay to other projects, thereby being unable to pay wages on schedule or issuing IOUs in lieu of cash payments.

Upon learning of this situation, Governor He Zhiqiang specifically pointed out: No matter how tight our

finances are, we must not let schools and teachers bear the brunt of the consequences. He instructed localities to take immediate action to settle back pay for teachers. Thanks to the efforts of authorities at all levels, outstanding pay for teachers has been all paid up. [video shows still photos of teachers and students conducting a lab experiment, and students sitting in front of rows of computers. Also shown is file footage of Li Lanqing and He Zhiqiang visiting a classroom and chatting with a female teacher dressed in minority costume.]

Tibet's 'Project Hope' To Help School Dropouts

OW1201105794 Beijing XINHUA in English 1004
GMT 12 Jan 94

[Text] Lhasa, January 12 (XINHUA)—"Project Hope", which aims to help school dropouts in poverty-stricken areas to return to school, has received strong support from the Tibetan Government and people since it was launched here two years ago.

According to the Tibet Youth Development Foundation, in the past two years, over 300,000 people have contributed to the project, involving one-seventh of the region's total population.

By the end of last year, the foundation had raised a total of 600,000 yuan (70,000 U.S. dollars), 200,000 yuan (23,000 U.S. dollars) more than in 1992.

Although the project started in Tibet Autonomous Region three years later than in other parts of China, it has made remarkable progress due to support from the local government and people.

"What we gain from 'Project Hope' is more than just building some schools or helping a large number of school dropouts in Tibet return to school," said He Chongmin, secretary-general of the foundation. "More important, it has created an atmosphere in which every one pays attention to education."

In the summer of 1992, when the project started in Tibet, all the regional leaders attended a donation function to show their support.

Yangbai, a Tibetan retired road-mender who had been leading a frugal life, donated all the 7,000 yuan (800 U.S. dollars) she saved over the years when she heard of the project.

Doje, director of the Transportation Bureau in Xigaze, did not forget to donate 500 yuan (60 U.S. dollars) to the project when he was dying.

In addition, the project has received aid from other Chinese areas as well as overseas regions.

In 1992, Tibet signed an agreement with the China Youth Development Foundation, who pledged to help build at least two primary schools and offered 200,000 yuan (22,000 U.S. dollars) each year to the region.

A major corporation in Macao also donated 500,000 yuan (56,000 U.S. dollars) to the project in Tibet.

To properly use the money, Tibet has not copied other provinces in carrying out the project. Officials found that it is the huge area and limited number of schools that result in school dropouts. From some remote pasture areas, it takes three days on horseback to reach a school.

For education to penetrate into every corner of the broad plateau, the region has put its focus on building more schools, although this consumes more money and energy.

By 1995, the region will have set up 22 primary schools.

Meanwhile, the Tibet Youth Development Foundation is considering earmarking funds for those students in the interior areas who cannot afford to go to college. Scholarships are also expected to be established in newly-built primary schools to promote teaching quality.

So far, eight schools have been built up in Tibet, recruiting more than 1,000 school dropouts.

Public Health Sector To Correct Fee Malpractices

HK1201065794 Beijing ZHONGGUO XINWEN SHE in English 1350 GMT 10 Jan 94

[Text] Beijing, January 10 (CNS)—The correction of malpractices and the strengthening of discipline in the public health sector will be carried out this year. The Minister of Public Health, Mr. Chen Minzhang, said that the key work in this sector will lie in the prevention of accepting "red pockets" and commission while at the same time curbing charging at one's own will.

The correction of wrongdoing was put at the top of the agenda at the first national meeting held by the ministry this year. The goal set for this year is to achieve a confidence rate of 90 percent by patients in terms of the treatment they receive in hospitals. The goal for satisfaction at the medical skill shown by medical personnel and the manner they render their services is set at 80 percent by patients while the rate of settling cases involved in malpractices is also set at 80 percent.

Mr. Chen stressed that hospitals of various kinds had to adopt effective measures this year to halt the paying and receiving of commission resulting from the transfer of patients to another hospital. Medical personnel found to have received commission for transferring patients to another hospital for treatment will be seriously dealt with. Administration of the financial system in a hospital must be put under strict control in a bid to ban the practice of receiving commission by medical personnel.

Mr. Chen added that regulations on the charging of fees had to be observed. Hospitals in various places which set up their own system of charging had to stop such practices at once while other hospitals which charge a fee higher than the stated standard fee had to correct their practice as soon as possible. Adjustment of charging of

fees must follow certain procedures in accordance with stated regulations and approval by higher authorities is absolutely necessary.

Work on tackling the acceptance of "red pockets", commission and the practice of random charging proved a success to a certain extent last year. Public health bureaus in Beijing, Tianjin and Shanghai handed down disciplinary measures or economic punishment to nearly 300 persons guilty of the above-mentioned practices.

Incomplete statistics from 20 provinces show that cases involving random charging by various hospitals were put at 500 and 170 of them whose fees were randomly charged were cancelled.

Old Guard Said To Maintain Political Influence

HK1301065194 Hong Kong CHENG MING in Chinese No 195, 1 Jan 94 pp 13-15

[Article by Li Tzu-ching (7812 5261 0079): "Mechanisms for the Old Guard To Get Involved in Politics Will Be Kept"]

[Text] Although Deng Xiaoping is still healthy and officials and Deng's children also continue to affirm Deng's normal health condition, the CPC top authorities are always worried about the variable of Deng's health. Recently, in order to prepare against possible trouble in the political situation after Deng's death, the CPC quietly made certain arrangements and adopted some measures.

One of the measures was to restore the mechanisms for the old guard to get involved in politics.

After the disbandment of the Central Advisory Commission, many old politicians became "jobless." However, some, holding a high position as "senior former leaders [yuan lao 0337 5071]" or being close to such high rank, continued to enjoy the right to keep their political influence. Some of them even kept their own offices. Four months ago, in late August 1993, the Political Bureau discussed whether to close the offices of Peng Zhen, Yang Shangkun, Bo Yibo, and Song Ping. At that time, Peng Zhen, Yang Shangkun, and Wan Li expressed their support. Jiang Zemin also informally expressed his opinion through internal channels. Some people proposed that only the offices for Deng Xiaoping and Chen Yuan be maintained. However, no final decision was made on this issue, and the political participation of the old guard did not come to an end. When a final decision was to be made on the documents of the Third Plenary Session of the 14th CPC Central Committee, the Political Bureau still invited some retired old leaders to attend the relevant meeting and to participate in the decisionmaking. Song Ping, Song Renqiong, Yao Yilin and others still delivered seven proposals to the Political Bureau and the State Council in the name of their offices, including "A Six-Point Opinion on the Socialist Market Economy," "Problems Existing in the Current Economy," and "Central Authorities' Macrocontrol Is

the Foundation for Ensuring the Healthy Development of the National Economy." At the memorial meeting to mourn the death of Zhou Peiyuan on 4 December, the Yang Shangkun Office, the Bo Yibo Office, and the Song Ping Office presented wreaths. In late November, the Yang Dezhi Office, the Li Desheng Office, and the Zhang Aiping Office sent telegrams of congratulation to the units achieving outstanding results in the war exercises of the 2d Artillery Force. The Yao Yilin Office, the Song Renqiong Office, and the Gu Mu Office also dispatched investigation groups to Guangdong, Hainan, and Shanghai in late November to find out the reactions of the enterprises and institutions concerned to the reform resolution adopted by the Third Plenum of the Central Committee.

The offices of the old guard were not disbanded.

Now, a document has been issued, and the system of offices for the retired old leaders will be maintained.

On 6 December, the CPC Central Committee, the State Council, and the Central Military Commission jointly issued an important circular: According to the demand and proposal of most members and alternate members of the 14th CPC Central Committee and other people attending the Third Plenary Session, and also according to the opinions the Central Committee solicited from the party organizations, the democratic parties, and the mass organizations, the older generation of leading comrades who enjoy high prestige inside and outside the party and who are esteemed and admired by the people should continue to be able to participate in the formulation of major policy decisions and guidelines and to play a certain guiding and assistant role in the handling of important affairs, as they have accumulated valuable work experience in the years of revolutionary wars and socialist construction, although they have retired or left the party, government, and military leading bodies. In the discussions of the CPC Central Committee, the State Council, and the Central Military Commission, people unanimously proposed that the work bodies, namely, the offices, of the older generation of the party, government, and military leaders be maintained. The document has been issued to all central party, government, and military organs and to the party committees of all provinces, municipalities, autonomous regions, military regions, and military branches.

The decision on keeping the offices of some old former leaders of course reaffirmed the maintenance of their political privilege. Reportedly, the offices of Peng Zhen, Yang Shangkun, Wan Li, Bo Yibo, Song Renqiong, Song Ping, Yao Yilin, Yang Dezhi, Li Desheng, Zhang Aiping, Gu Mu, and Yu Qiuli were maintained.

It was said that the proposal on maintaining the office system for the retired old leaders was jointly put forth by Qiao Shi and Hu Jintao, members of the Standing Committee of the Political Bureau, and Ding Guangen, Wen Jiabao, and Ren Jianxin, members of the Secretariat of the CPC Central Committee. At the group

meetings of the Third Plenary Session of the 14th CPC Central Committee, Guangdong's Xie Fei, Shanghai's Wu Bangguo, Shandong's Jiang Chunyun, and some members and alternate members of the Central Committee from Sichuan, Liaoning, Hubei, Zhejiang, and Hebei also raised similar proposals. When attending the group meetings, Jiang Zemin, Li Peng, and Qiao Shi indicated that the Political Bureau was considering the issue of maintaining the offices for some retired old leaders.

On another occasion, Li Peng said that the party Central Committee and the State Council continued to consult the comrades of the older generation on some major affairs of the party and the state and on the making of relevant policies and decisions. It was necessary to maintain the work organs for them.

On 15 November, at a discussion meeting with some responsible people of the democratic parties, Jiang Zemin said: The Political Bureau will propose that retired party and government leaders at the central and provincial levels may maintain their work organs so that they may continue to participate in the making of major policy decisions. However, this should be approved by the Political Bureau and the Central Secretariat.

Reportedly, the offices for retired old leaders will be subordinate to the Central Secretariat in the future rather than to the Political Bureau. This indicates that they will be "downgraded" in the hierarchy of power.

An informed old cadre revealed privately that the continuation of the office system for the old guard was the product of a compromise between Deng Xiaoping and Chen Yun. The purpose of keeping this system was to appease the old cadres, but more importantly, it may enable the old guard to help control the situation once Deng Xiaoping dies. Chen Yun's faction had another purpose. That is, it would enable it to bolster the Jiang-Li leadership structure and also control its orientation in order to prevent it from "drifting westward" (adopting capitalism across the board) and to maintain its socialist orientation. The purpose of Deng Xiaoping's faction was to reinforce the momentum of reform and preserve its own interests. Moreover, it wants to obtain greater decisionmaking power with the support of the military after Deng's death, and prevent the Jiang-Li structure from monopolizing power inside the party.

The office system for the senior retired leaders is in fact a small-sized advisory committee. This part of the old guard is certainly satisfied with such an arrangement. However, most retired cadres are frustrated. Many of them are getting increasingly depressed and dejected, and some have even degenerated. Generally, they have lost interest in politics and do not maintain the party spirit. Some senior retired leaders are trying to spur these comrades on.

Since early December, the proposal of Peng Zhen and Yang Shangkun on "five shoulds and five should-nots"

has been relayed to retired cadres at the ministerial and provincial level, and the retired cadres were asked to exercise self-discipline.

In early November, at an inner-party meeting with some retired old cadres, Yang Shangkun first proposed "four shoulds and four should-nots": 1) They should keep pace with the party Central Committee, and should not lag behind the situation; 2) they should take the initiative in safeguarding the party's leadership, and should not place themselves above the party; 3) they should conscientiously study and understand Comrade Xiaoping's theory, and should not conservatively stick to conventions and refuse to make new progress; and 4) they should continue to do something beneficial to the party's central task in their late years, and should not rest on their laurels.

Peng Zhen added one point: They should take responsibility for educating their families and children and persuading them to be the people's public servants rather than doing corrupt and discipline-violating things.

Recently, in a document about the activities of party organizations, Peng Zhen wrote an instruction: "Old comrades do not have the privilege of not abiding by the party's discipline and not obeying the party. They should regularly take part in the activities of party organizations, take part in political studies, and carry out criticism and self-criticism. Only those who are weak and sick can be exceptions."

The "five shoulds and five should-nots" proposed by Yang and Peng and Peng's recent instruction were aimed at the current problems. According to the General Office of the CPC Central Committee, only less than 40 percent of retired old cadres still continue to regularly take part in the activities of party organizations and take part in political studies. About 30 percent of retired old cadres in the central organs have not taken part in any activities of party organizations for from over six months to one year for reasons of health. More than half the former Central Advisory Commission members are often absent from party activities. However, the retired old cadres borrow meeting places to hold their gatherings more frequently than when they were still in office.

In addition, only 20 percent of retired old cadres at the provincial level still regularly take part in party activities, and over 60 percent of the retired old cadres often ask for leave.

Various signs show that the CPC has lost its vigor, and is getting looser. Communist ideals and beliefs have collapsed in the minds of most party members. In place of such ideals and beliefs, they have adopted individualism, hedonism, liberalism, and other noncommunist ideologies. With the lack of checks and balances from other political forces, it is inevitable that the party will become increasingly corrupt. The economic reform initiated by Deng Xiaoping will only alleviate the symptoms of the

illness and will not be able to effect a permanent cure. Once Deng dies, the CPC will face its death if it fails to effect self-transformation.

Academic on Factors Affecting Society in 1994

HK1301065394 Beijing ZHONGGUO QINGNIAN BAO
in Chinese 4 Jan 94 p 7

[Article by Lu Jianhua (7120 1696 5478) of the Chinese Academy of Social Sciences: "Five Major Factors Affecting Chinese Society in 1994"]

[Text] People are following with interest the trend of the social situation in China in 1994.

Through a series of emergency intervention measures, including the macroeconomic regulation and control, the anticorruption struggle, the crackdown on criminals, and others, which were adopted in 1993, the central government has maintained social stability and economic growth. However, a number of internal structural contradictions and problems have not yet been resolved. As a result, many factors affecting social stability, such as overly rapid price rises and so on, were ready to create trouble at the end of 1993. What is more, due to the central government's repeatedly emphasizing that 1994 will be a crucial year for the "rapid advance of groups [ji tuan tu jin 7162 0957 4499 6651]" carrying out reform, the possible trend of the social situation in 1994 has attracted greater attention from people and has looked somewhat complicated and confusing.

Although many factors affecting the trend of the social situation in 1994 are full of contingencies and uncertainties, the five major factors of reform, economic construction, the political situation, the public will, and the central government's authority are the most crucial ones, and are forecastable as well as understandable.

1. The acceleration of the reform process in 1994 will provide a further motive force for social and economic development, but reform will also produce a complicated impact on the trend of the social situation. The institution of a modern enterprise system and the structural reforms in prices, finance, taxation, investment, etc. will be the focal points of the "rapid advance of groups" next [as published] year. Their direct goal is to achieve the best allocation of natural resources in society. At the beginning of their being put into practice, however, they will bring about a series of social and economic consequences, some of which will emerge on the negative side. This raises the question—discussed over the past 15 years but which has gained little attention in practice—of the coordination [pei tao xing 6792 1152 1840] of reform.

The reform of the modern enterprise system absolutely does not just involve the relationship between government administration and enterprises, the tax system, and the market, but it also involves such systems as labor and personnel, social insurance, trade unions, workers' representative conferences, as well as more sensitive social

political relationships, social organizational relationships, and relevant value criteria. In this regard, we must make adequate forecasts and take corresponding technical countermeasures.

Reform in such areas as commodity prices and taxation will exert strong pressure on people's tolerance when it touches the level of their daily lives. A new characteristic of changes revealed in people's tolerance has surfaced, that is, it is very difficult for people to consider increased income a guaranteed factor for the strengthening of tolerance. Many signs indicate that the general mood of the people in 1994 and the changes in their tolerance will be affected by social and economic factors, which are far more complicated than price rises, and the degree of their unpredictability is increasing.

There are other meanings in the reform factors affecting the situation in society in 1994, among which the following two points are most important: 1) Will the political structural reform be suited to the economic structural reform? The economic structural reform has involved a rather deep-going level (such as the modern enterprise system, the market, and enterprise ownership and management). If the political reform remains only in the area of administrative structure in a general sense, it will entail two consequences—reform will yield very few results (say, in solving the problem of overstaffing in organs); and the economic structural reform once again will be held back (as certain reform measures will lose shape because their practice is not guaranteed by necessary political mechanisms). 2) The political reform process with no reversal is a significant factor that will affect the trend of the social situation in 1994. Reform in the last 15 years has brought tremendous changes in the social economic foundation and structures, so a reversal would cause a loss of social economic vitality and confusion in people's minds.

2. Economic construction will enter a crucial year in 1994. Although the rapid growth that has continued for two years has brought vigor and vitality to the entire society, it has still been followed by a certain degree of confusion, disorder, and shortage of supplies. Optimizing structure and enhancing economic results should be the main theme of the economic construction in 1994. This is a correct implication. The practice of blindly pursuing high speed in disregard of a sound foundation will certainly lead to great ups and downs in the economy. The introduction of various economic structural reform plans in 1994 is a direct effort toward a healthy economy. Economic fluctuation will be a factor posing a direct threat to social stability. The prevention of great ups and downs in economic construction depends, to a considerable extent, on the appropriateness of macroeconomic policy decisions and the faithful performance of their duties by middle-level executive departments.

Judging from the changes in the economic situation in the first and second halves of 1993, it was not purely an act of economic policy decisionmaking to put on the

brakes (either for a soft landing or a hard landing). It had noticeable political implications, including the efforts made by the central government to stabilize the overall situation and to politically negate the orientation of expansion in localities. The problem was that various social, economic, and political mechanisms that led to the overheated economy were not removed, given the initial results scored by the macroeconomic regulation and control in 1993. This means that the social causes of the economic fluctuations will not be completely eliminated in 1994. This year, they probably will not manifest themselves in the form of expanded investment in localities, but in the form of "revising" a series of economic policies set by the central government. The economic fluctuations brought about by this will certainly lead to chaotic economic and even social order, so that the public feeling of life being unstable will be sharpened.

3. The authority of the central government will face multiple trials in 1994. Apart from the above-mentioned ability to exercise macroeconomic regulation and control, there are still two extremely crucial issues, as follows:

First, whether or not the anticorruption struggle will achieve actual results will have a bearing on maintaining the public will and establishing the authority of the central government. As a result of the mass mobilization through public opinion and the initial actions taken in the second half of 1993, the anticorruption struggle has become an extremely sensitive focal point in society. Although the struggle was confronted with various difficult choices from the very outset, it enjoyed popular confidence once it gathered momentum and yielded actual results. This has covered two aspects—whether the anticorruption struggle can be waged at the upper levels, and whether it can be conducted in localities. The progress of the struggle in various localities has been uneven, which is a fact universally acknowledged. It is anticipated that there will be little possibility of social unrest in 1994, which is directly affected by factors of the anticorruption struggle. However, various kinds of friction and conflicts triggered by the declining authority of the central government will be a hidden peril affecting social stability.

Second, practicing a revenue-sharing system is a mission of priority in 1994. As viewed from the angle of intensifying the central government's ability and authority to absorb revenue, the said system should be put into practice, even though technical conditions have not entirely matured yet. As this system directly involves the redistribution of economic interests between the central government and localities, the partial interests of those localities with powerful economic strength will be lost temporarily, and whether they will accept such losses remains a question. In order to implement the above system smoothly, the central government should make adequate forecasts of various possible consequences (including the resurgence of local chauvinism, the intensification of local interests, tax pressures imposed by upper levels, and so on). On this issue, administrative,

legal, and economic means should be employed simultaneously. At the present stage, however, only administrative means are the most perfect for contacts between the central and local authorities. This determines that stepping up administrative intervention sometimes cannot be avoided, which will bring forth a series of frictions and conflicts in the social, economic, and political areas. We should also note that the authority of the central government involves not only the issue of economic interest distribution with localities, but also a large number of social and political issues. For example, the central government will face the question of maintaining and strengthening this authority in the areas of investment policy, public security policy, the establishment of a unified market system, and so on.

4. Public will and opinion will become another major factor affecting the social situation in 1994. Since reform began 15 years ago, people from various quarters have come to understand, given support to, and participated in reform with unprecedentedly great enthusiasm. They have benefited a good deal from the reform achievements, as their personal development opportunities have been substantially increased, their fields of mental activities have been considerably broadened, and their means of entertainment and consumption have become diversified. In the meantime, people's tolerance has withstood continuous trials, heavier pressure has been added to their lives, and their sense of security has tended to decline.

In recent years, people have acquired a much more distinct concept of interests and have had clearer feelings toward interest gains and losses. If reform and economic construction exert excessively heavy pressure—in commodity prices in particular—on people's daily lives in 1994, then the awareness of interest losses caused to some strata will be sharpened. In 1993, peasants' income grew slowly, the income of staff and workers was unsecured owing to the poor performance of enterprises, the living standard of retired people declined, and the reversed position of mental and physical laborers was not set right. All this has added weight to the pressures of living of considerable numbers of people, which increases the possibility of their unexpected response to particular specific economic policies.

Another major characteristic of the changes in people's wills and opinions in 1994 is their concern for social affairs. For example, their expectations of the anticorruption struggle will directly affect their confidence in the justice of society and in the central government. In rural areas, the relationship between cadres and masses has been somewhat tense as a result of the disputes over peasants' burdens and other economic affairs. In urban enterprises, there have been contradictions centering around such issues as income, democratic management, and so on between managers and staff and workers. Along with the practice of the modern enterprise system in 1994, there will be new forms of expression for these contradictions. A host of facts have indicated that the work style of grass-roots cadres is at the core of the

tension between cadres and staff and workers, and that its adverse impact on the people's will and opinion is no better than that of the spread of corrupt phenomena.

5. The stable political situation was the foundation for stabilizing the overall social situation in 1993.

In 1994, the transfer of central power (i.e. from the second generation of the leading collective to the third generation of the leading collective) will enter a crucial period. Focused on defining the policies of reform, economic construction, and domestic and foreign affairs, this transfer has started to carry substantive content. History proves that in the variable of the political pattern in contemporary China, the issue of unity during the period of transference of power is the most difficult to tackle. Once an obstacle to unity arises, it will elicit massive personnel changes or even policy reversals, thus leading to turbulence in the social situation. During this year, a number of vital social interest relations are urgently awaiting a solution and, without a united and rational central government, it is impossible to fulfill the above missions. In particular, under the situation that the functional transformation of the central government and its subordinates, the manifestation of authority, and the ability to exercise regulation and control are confronted with many difficulties, inappropriateness in the course of transference of power will lead to disastrous consequences. At the present stage, the establishment of checking and balancing and compromise mechanisms of power within the central government is the only choice to maintain its unity and rationality.

Under the condition of China's social structure at the present stage, the stability of the political situation is of particularly vital importance. However, a protracted and institutionalized stability must rely on a more flexible form of control in society, which can effectively mediate various acute social contradictions and remove factors for potential social conflict in a timely manner. Of course, a relatively long process is necessary for the establishment of this new form of control, but, if the first step is made in the area of transference of power during the crucial period, many costs can be avoided and the extent of social turbulence can be reduced. As far as 1994 is concerned, it is a historic opportunity to make decisions.

Article Views Situation of Intellectuals

HK1201075594 Hong Kong SOUTH CHINA
MORNING POST in English 12 Jan 94 p 19

[By Willy Wo-Lap Lam]

[Text] While the apparatchiks are climbing up the political ladder and the red capitalists are making money, quite a number of China's intellectuals are suffocating in ennui.

Take a look at the just-published *Elite* magazine, one of the handful of cultural products churned out since mid-1989 by some of the nation's best—and most open-minded—brains.

Founders of, and contributors to the journal include such big names as former People's Daily [RENMIN RIBAO] editor Qin Chuan; former culture minister Wang Meng; avant-garde economists Yu Guangyuan and Wu Jinglian; liberal elders Li Rui and Xia Yan; and taboo-smashing writers Shao Yanxiang and Zhang Kang-kang.

The founders waged a fruitless battle for nearly a year to secure for *Elite*, which is intended as an unofficial, general interest journal, a publication licence and a shuhao (book or periodical number). The problem was partly solved when the magazine became a semi-dependent entity under the China Strategic and Management Research Society, a quasi-official unit in which Mr Qin's son is a senior staffer. *Elite* was granted a temporary shuhao. The censors indicated proper registration would only be considered after a few trial issues. The 3,000 copies of the inaugural issue, however, could not be circulated nationwide through the regular distribution network. Most ended up being handed out by the editors as gifts to fellow intellectuals. This is despite the inordinate precautions taken not to run foul of the remnant Maoists running the Propaganda Department and assorted units. The first page of *Elite* carries a giant photograph of Deng Xiaoping.

In an inaugural message, Mr Qin cites the patriarch's name four times saying *Elite* "is willing to make propaganda for Deng Thought." And while a few of the articles in the first issue touched on hot issues such as privatisation and the assessment of Chairman Mao, none was deemed controversial or provocative.

While, on the economic arena, the Chinese Communist Party seems to be liberalising on all fronts, in the cultural field it is very much a case of making a hundred flowers wilt.

For fear of rocking the boat in the uncertain period before patriarch Deng Xiaoping's final departure from the scene, the Propaganda Department and its ideological police are taking no chances. Since mid-1993, the department has practically stopped giving permits for new newspapers, periodicals and publishing houses. Worst hit are bourgeois-liberal intellectuals who often are unable to have their works published—despite there having been no regulation barring them from appearing in print.

For some strange reason, the Beijing Yanshan Publishing House recently held up the distribution of its series of books entitled *Life after 60*. What apparently went awry was that two volumes of the autobiographical pieces contain retrospectives penned by liberal authors Wang Ruoshui and Hu Jiwei, both former journalists with the People's Daily.

The editor of the series, Zhou Airuo, the son of Marxist scholar Zhou Yang, has reportedly parted ways with the publisher. Late last year, the authorities also put pressure on an American foundation to withdraw financial support from a team led by Beijing University legal scholar Gong Xiangrui. Professor Gong has been trying to put out a series of monographs on the constitutional history of Asian countries, including China.

For a brief period last summer intellectuals in Beijing were pinning their hopes on the "new blood" from Shanghai that President Jiang Zemin had transferred to Beijing. These Shanghai faction affiliates include the vice-chief editor of People's Daily, Zhou Ruijin, the vice-chief of propaganda, Gong Xinhan, and the vice-chief of the Theoretical Bureau of the Propaganda Department, Li Junru.

Mr Zhou, a former editor with Shanghai's Liberation Daily, helped draft the series of articles of radical reform that appeared in early 1991 under the pen-name of Huang Puping, a shorthand for "Deng Xiaoping speaking out at Huangpu River (in Shanghai)".

Since his migration to Beijing however, Mr Zhou's more liberal colleagues have complained about his timidity. One story doing the rounds of the party mouthpiece said Mr Zhou consulted the Propaganda Department on whether to include the name of the editor of a volume that was featured in the Daily's book news column.

The tome in question, *Changing Our Brains*—which is based on a 1992 slogan attributed to Mr Deng is edited by liberal elder Yu Guangyuan. The transfer of Mr Gong and Mr Li to the Propaganda Department was at first interpreted as an attempt to neutralise the influence of veteran Maoists such as the executive vicechief of Propaganda, Xu Weicheng.

Both Shanghai faction stalwarts however, have adopted the lowest of profiles. Mr Li has reportedly not even begun a regular work shift at the department.

Mr Xu, who is supposed to have retired last year, is very much in charge. He, together with the relatively conservative head of the department, Ding Guangen, is expected to call a national conference on propaganda later this month to impose an even harsher straitjacket on media and cultural units.

Since late 1993, Mr Ding, who used to play bridge with patriarch Deng, has ordered the People's Daily to fax him the proofs of its major editorial pages every night. And Mr Xu and his like-minded commissars have lately begun a virtual purge of the Hong Kong contents of the electronic media.

In a talk to staff of the Ministry of Radio, Film and Television, Mr Xu, once a protege of Madame Jiang Qing, indicated state television and radio stations should largely weed out songs and videos by or featuring Hong Kong and Taiwan artists.

When asked what they should play instead, the ideologue said: "The 100 patriotic movies or their theme songs," which are being featured on television and broadcasts. Mr Xu was referring to the 100 mostly old films the Propaganda Department had selected for their "patriotic and socialist" orientation.

While disparaging Hong Kong cultural products for their "bourgeois-liberal propensities", the propaganda machinery has also run a campaign of innuendo on how Hong Kong and Taiwan singers and movie stars have allegedly evaded taxes.

Under the guise of reviving patriotic education and remembering Chairman Mao, the Propaganda Department has reinstated a large number of products of the Cultural Revolution, including "model revolutionary" operas and songs favoured by the Gang of Four.

Commentator's Article on Doing Practical Work

HK1201082294 Beijing RENMIN RIBAO in Chinese 8 Jan 94 p 1

[Commentator's article: "Do More Practical Things and Speak Less Empty Words—Third Discussion on Having a New Work Style in the New Year"]

[Text] Do more practical things and speak less empty words—this is another important content of Comrade Jiang Zemin's emphasis on improving the work style of the leadership. We have talked about the need to learn more and do more research and investigations in the last two commentaries. What was the purpose? It is for doing practical things and doing a good job in reform, opening up, and the various undertakings of socialist modernization.

The advocacy of doing more practical things and speaking less empty words is to ask cadres of various levels to play an exemplary role in leading the broad masses to do real and solid work; make solid contributions to promoting reform, opening up, and modernization construction; and prevent and overcome bad work styles such as exaggeration, lip service, formalism, and fancy appearances. The magnificent mansion of socialist modernization is built by bricks and stones, not blown up by empty puffs. Empty talk ruins the country, solid work invigorates it, and many such examples can be found in history. It should be affirmed that a great majority of our leading cadres work diligently, conscientiously, and practically and this is the important reason for the prosperous development of our undertakings. However, we must also realize that among a small number of comrades some bad work styles exist. They fall to the sea of meetings and the mountain of documents, make vague calls without giving concrete guidance, and work superficially; or they part with reality, give promises lightly, and do not grasp implementation; or they try to have their "names in newspapers, sounds in broadcasts, and images on television," but are not willing to do solid work; or they watch the upper levels and engage in some fancy appearances which win praise

from their superiors.... These bad work styles seriously part from the masses, hinder the implementation of the party's principles, policies, and decisions, and must be resolutely overcome. Of course, when we oppose empty talk, we are only getting at the phenomenon of not doing practical things, we are not saying that we do not have to honestly publicize development goals which we can reach, nor are we saying that we do not have to speak some words to encourage the masses to unite for the struggle. The actual work is complicated, and regarding which things we should explain first and do later, which things we should explain and do simultaneously, and which things we should do first and explain later, we must analyze and handle them from the viewpoint of concrete conditions.

What is the biggest practical thing which we should do well with all our energy at this time? It is expediting reform and development. The decision of the Third Plenary Session of the 14th CPC Central Committee has drawn a blueprint for building our socialist market economy system. This year, based on the spirit of the "decision," the central leadership has been announcing measures to reform taxation, finance, foreign trade, investment, and planning, and various localities have been actively implementing them. In the progress of reform and development, we will surely run into new conflicts and problems, which require our cadres of various levels to rack their brains to solve them one by one in a practical manner to enable the central leadership's measures for expediting reform and development to be implemented one by one. Various localities differ in conditions, and, as they propose goals and formulate measures, they must consider their own actual conditions and refrain from blind comparisons. They must be ambitious on the one hand and work solidly on the other hand. When various localities and departments find themselves upholding this principle and properly, solidly, and fruitfully do a good job in the reform, development, and modernization of their own places, they have developed a good work style of doing more practical things and speaking less empty words.

In the process of doing practical things, we must correctly understand and handle the relationship between doing practical things and demonstrating the merit of work. When more practical things are done and done better, the merit of work becomes prominent, and officials can win the support of the masses and praise from their superiors. There is no question about this. Some comrades set the goal that "when one takes the office of governor of a locality, one must benefit the locality in which he serves." This kind of ambition is worth encouraging. But we must also prevent and overcome short-term behavior, that is, one may be willing to do practical things which can easily demonstrate one's work merits instantly, but he may be unwilling to do practical things which cannot easily demonstrate his work merits instantly but which indeed have to be done from a long-term perspective. Much short-term behavior has brought about many adverse effects to the extent of

hindering the pace of reform and development, and this has been proved by much practice. The purpose of doing more practical things is to benefit the country and the people, not to establish tablets or create legends for oneself. It is hoped that this starting point issue will draw the attention of leading comrades of various levels.

Showing concern for the sufferings of the masses and solving their difficulties is a practical thing which ought to be done by the leaders of various levels. The purpose of our party is to serve the people heart and soul, and the purpose of reform and development is to let the people have a happier life. Speaking frankly, the adjustment of the pattern of interests and relationships during the deepening of reform will benefit the broad masses of the people. But at a certain stage and in a certain area, different masses will be benefited differently. This is unavoidable. Under this condition, leaders of various levels must always be concerned with the well-being of the broad masses, promptly discover problems, and make prompt adjustments to solve problems. Only by so doing can they protect enthusiasm among the masses, mobilize them as much as possible to participate in the reform and to support it and create a stable social and political environment for reform and development.

To do more practical things, we must develop the spirit of hard struggle and a scientific and pragmatic spirit as well. Hard struggle is a precious tradition of ours. Today, while we do pioneering work in reform and opening up, the effect will be very different if we do not have a spirit of hard struggle. We must closely rely on the broad masses of cadres and people, do more practical things which require less money or do not even require money, and do less things which increase burdens on the masses and require compulsory appropriations. Due to limited financial strength, there are some things which we cannot do at this time, but we must patiently explain to the masses to win their understanding. To do practical things, we must also seek truth from facts and cherish scientific attitude. We must never do things by relying only on enthusiasm or subjective wishes. We must carry out scientific discussions and make scientific decisions on the basis of research and investigation. We must try hard to reduce minor errors while avoiding big ones and enable every practical thing to obtain the biggest economic and social returns.

Since reform and opening up, Comrade Deng Xiaoping has stressed that leading cadres should have a good work style. Recently, Comrade Jiang Zemin has repeatedly asked leading cadres of various levels to learn more, have less social intercourse, do more research and investigations, have less subjectivism, and do more practical things and speak less empty words. These three requirements are the most important contents of improving the work style of the leadership. A new year has just begun, and I hope that leading comrades of various levels develop the good work style of learning more, doing more research and investigations, and doing more practical things; better unite with the broad masses of people and lead them in clearing a way to forge ahead; and work

diligently to enable our reform, opening up, and modernization undertakings to proceed faster and better in order to please the whole party and the people of the whole country.

More 'Ethnic-Minority' Children's Books Published

OW1301061994 Beijing XINHUA in English 0600
GMT 13 Jan 94

[Text] Hohhot, January 13 (XINHUA)—Children of minority nationalities in China now have more books to read, thanks to efforts by writers and publishers devoted to ethnic-minority children's literature.

Actively involved in producing such works on the subject are not only writers from minority nationalities, but also those of Han nationality.

China has 55 minority nationalities, who have developed colorful literatures in the process of their historical development.

These works, covering anecdotes, fairy tales, fables and poems, are rich in content and of high artistic value. They are a precious part of the world's literary heritage.

Over the past few years great efforts have been made to boost the output of literature for children of minority nationalities.

A number of books, such as "Selected Stories for Chinese Children of Minority Nationalities", "Selected Stories for Minority Nationalities in South and North China" and "Folk Tales of Chinese Minority Nationalities", have been published. Some of them have been translated into foreign languages and been carried by foreign magazines.

"The Story of a Living Buddha", written by Malchinfu, a famous Mongolian writer, has been highly praised by readers for its vivid description of the life of a Mongolian child who started life as a living Buddha and then became a doctor.

In 1987, China's first nationalities publishing house was built in Inner Mongolia. It has published thousands of books in the Mongolian language, including some world classics, such as "Hans Andersen's Fairy Tales".

Other such publishing houses have emerged in many ethnic-minority areas, from the Xinjiang Uygur and Tibet Autonomous Regions in the west to the Yanbian Korean Autonomous Prefecture in northeast China's Jilin Province.

Wildlife Official Reports on 'Tortured' Bears

OW1201143494 Beijing XINHUA in English 1259
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—A senior Chinese wildlife official today denied overseas reports that bears in captivity in China are tortured.

Vice-minister of Forestry Shen Maocheng said that reports of torture of bears on a farm in south China's Guangdong Province are partly false and partly rumors.

According to propaganda by an animal welfare fund in Britain and reports by German media, bears on Nanping Bear Farm in Zhuhai Special Economic Zone, Guangdong Province, were not only used to produce bile which was siphoned through a tube from the liver, but also were killed to make food or soup, said the minister.

The reports also estimated that 8,000 bears in China were tortured in that way everyday and China planned to use 40,000 bears for bile production, Shen said.

The minister told XINHUA that there are about 5,000 bears in captivity in China for bile production and China will not increase the number, since the bile output is enough for traditional Chinese medicine production.

Shen added that "there is indeed a bear with only three paws on the farm, but the lost paw was not cut away by the farm owner."

He added that the three-pawed bear was picked up from the wild and raised by the owner.

Investigations show that the farm was set up without official permission and the illegal farm has been closed, he said.

Under an official regulation issued in 1991 on bear raising, training and breeding, farms without adequate techniques or facilities are not allowed to raise bears.

"It is unreasonable and extremely unfair to ignore China's great efforts to preserve wildlife and its substantial progress by using a single example."

He admitted that some bear farms, which had been run without official permission and were poorly equipped, were shut down last year, indicating that basic requirements for operation include adequate technology and facilities.

"Since the existing authorized farms produce enough bile, no new farm will be allowed to be set up," Shen said.

He said that China cannot agree with the one-sided view by some pure conservationists in the world which emphasizes preservation and opposes any kind of use of animals.

"In that case, all the scientific experiments and research which use animals should not be carried out. Human beings can not use horses and oxen to work and can no longer eat chickens and mutton," the minister said.

He added that "China puts preservation and protection of bear resources first and use of bears second."

According to official estimates, there are tens of thousands of wild bears in China.

"China made great achievements in protecting and preserving endangered wildlife in the past decade and will continue to do so," Shen said. "We welcome well-meaning advice and aid given by all the other countries in the world to join in the effort to preserve wildlife."

Military

CMC Orders 'Major' PLA Shuffle, Demobilization

HK1301053094 Hong Kong SOUTH CHINA MORNING POST in English 13 Jan 94 pp 1, 10

[By Willy Wo-lap Lam]

[Text] The People's Liberation Army (PLA) has undertaken a major personnel reshuffle aimed at maintaining stability in the post-Deng Xiaoping era. At a secret enlarged meeting of the Central Military Commission (CMC) on December 18 and 19, the top brass also agreed to implement the long-stalled decision to demobilize up to half a million soldiers. Moreover, senior officers have taken steps to restore military relations with America by dispatching Executive Vice-Chief of Staff General Xu Huizi to the United States in the spring.

Chinese sources said yesterday the personnel changes which began late last month were the most extensive since the reshuffle of the leadership of the seven military regions in 1990. They said, aside from rejuvenation and professionalisation, the CMC wanted to achieve a factional balance to ensure support for the post-Deng leadership with President Jiang Zemin as its "core."

A number of officers believed to be close to disgraced chief political commissar General Yang Baibing have been purged. Commander of the crucial Beijing Military Region, General Wang Chengbin has retired in favour of one of his deputies, General Li Laizhu. Considered a modernisation-minded professional, General Li served in the Tianjin region before becoming vice-commander of the Beijing region in 1985.

The most politically sensitive move took place in the Chengdu Military Region with the removal of Political Commissar General Zhang Gong, a crony of General Yang's. General Zhang, a spokesman for the Martial Law Command guarding Beijing in mid-1989, has been replaced by General Zhang Zhijian, another vice-commander of the Beijing Military Region.

General Tao Bojun has been appointed a vice-commander of the Guangzhou Military Region, which will play a significant role in the stationing of troops in Hong Kong after 1997. A chief of staff of the regional command since 1992, General Tao is considered a rising star. He accompanies CMC Vice-Chairman General Liu Huaqing on his ongoing tour of Thailand and Indonesia. Other personnel movements in units including the Nanjing and Shenyang military regions are expected in the near future.

Within PLA headquarters, the most thorough-going changes have hit the General Political Department, considered a power base of General Yang's. Two assistant directors, General Du Tiehuan and General Xu Caihou, have been promoted vice-directors. It is believed that prior to and after the fall of General Yang, a number of his colleagues, including the incumbent Director-General Yu Yongbo, have switched allegiance and professed loyalty to President Jiang.

At the General Logistics Department, which is headed by Jiang loyalist Fu Quanyou, General Zhou Youliang has replaced the retiring vice-director General Li Lun. General Zhou has since 1988 been head of the Army's Department of Capital Construction and Barracks.

An informed source said patriarch Mr Deng was anxious that the Army, led by Mr Jiang in his capacity as CMC chairman, would help the leadership defuse political "contradictions" that would arise in the course of radical market reforms in the mid-1990s. He said while Mr Deng had used his influence to prop up Mr Jiang, the patriarch had sought to keep a factional balance within the PLA. "The purge of the so-called Yang Clan has been less severe than expected," the source said. "Several officers who have gained promotions, including General Zhang Zhijian, a former head of the Beijing Municipal Garrison were once allies of General Yang."

Another decision made at the CMC was to start the demobilisation of as many as half a million soldiers in 1994. While the decision to trim the 3.2 million-strong PLA was taken in 1991, only token numbers of divisions and personnel had been cut.

Western military analysts said the CMC had this time bitten the bullet because of rising costs, difficulty in recruitment, as well as the improvement of ties with former adversaries including Russia, Vietnam and India. "Costs saved by demobilisation will be pumped into the armaments modernisation programme," a Western diplomat said. It is understood a sizeable portion of the demobilised soldiers would be absorbed by the paramilitary People's Armed Police, as well as new law-enforcement entities such as urban "patrol police" units and anti-riot squads.

Meanwhile, the army leadership has decided to reciprocate overtures made by the American military by sending a high-level officer to the U.S. Sources close to the PLA said General Xu would probably make his trip after the Lunar New Year. A Vice-Chief of the General Staff Department since 1985, General Xu, an expert on training and equipment, has visited the U.S. before.

Diplomatic sources said General Xu's visit was the result of a partial thaw in bilateral military ties achieved during a trip to Beijing last November by the Assistant Secretary of Defence, Charles Freeman. Aside from the resumption of top-level visits, Mr Freeman and his hosts discussed the setting up of a bilateral committee on military co-operation.

It is understood an American Defence Department official will be visiting Beijing later this month to discuss the frame of reference of this committee. "The co-operation committee will steer clear of sensitive issues such as weapons sales or the transfer of military technology," a source said. "It is likely the American side will help the PLA in the transformation of military factories into facilities for producing civilian goods." The source said the top brass was hopeful that the Chinese Army might again tap U.S. expertise in modernising its weapons.

PLA Opens Bases, Barracks to Foreign Visitors

HK1301151894 Beijing ZHONGGUO XINWEN SHE
in Chinese 1229 GMT 9 Jan 94

[Text] Beijing, 9 Jan (ZHONGGUO XINWEN SHE)—The PLA has up to now opened scores of its military bases, barracks, and military academies to foreign visitors.

The PLA opened its first army unit to foreign visitors in 1955. Since China introduced reform and the open policy, the PLA has continued to open a number of ground force, navy, and air force bases and barracks to foreign visitors. Many foreign heads of state, government leaders, and military delegations have visited PLA bases and barracks.

The Academy of Military Sciences and the PLA National Defense University have become important channels for academic exchanges between PLA military academies and their foreign counterparts. Since its founding in early 1985, the PLA National Defense University has followed the principle of "looking toward the world, the future, and modernization" advocated by Deng Xiaoping. It has treated the principle as a principle for developing itself and displayed enthusiasm in opening up. Up to now the university has conducted academic exchanges with army units and military academies of over 50 foreign countries.

Paper 'Yearender' Lauds 'Fine Traditions'

HK1201114694 Beijing JIEFANGJUN BAO in Chinese
19 Dec 93 p 1

["Reporters' yearender, part seven" by staff reporter Hong Heping (3163 0735 1627): "Strategic Topic of Great Significance—Commenting on All-Army Inheritance and Development of Fine Traditions of the People's Liberation Army"]

[Text] Yesterday—today—tomorrow.

Sixty-six springs, summers, autumns, and winters. Sixty-six years of wind and rain. Why is the People's Liberation Army, which has undergone various hardships and difficulties, always full of vigor and vitality? When you meet these crack troops you will sense their uniquely brilliant spirit. This spirit is the true color [ben se 2609 5331] of the old Red Army men and the fine traditions of our Armed Forces. It is precisely because they possess

this spirit that our armed forces can overcome all kinds of difficulties and obstacles and can always march forward courageously.

How Can Our Armed Forces Always Be Invincible in Times of Peace? One Thing in the Basic Experience Is: Maintaining the Fine Traditions.

Peaceful cities. Warm and fragrant rural areas. The country is prosperous and at peace and the people live in happiness. Peace is the hope of the people. Did not numerous martyrs give up their lives precisely for peace today? Peace is not easy to come by and should be treasured.

To the Armed Forces, peace is also a kind of test. Troops can be defeated in wars and they can also be defeated in a peaceful environment.

In the past century, the Eight Banners Troops of the Qing Dynasty were once "as powerful as a thunderbolt and moved as speedily as the wind." However, in times of peace, they went downhill. Their former agility and bravery were replaced by boastfulness and weakness. Crack troops became people who indulged in playing with caged birds.

Lessons should be drawn from history. How should our armed forces guard against corruption and degeneration under new historical conditions? An important question which has a bearing on the existence and survival and the rise and success of our armed forces is put before the leadership of the Military Commission.

Comrade Deng Xiaoping has concerned himself very much with the building of our armed forces. On many occasions he earnestly asked the armed forces to carry forward the fine traditions and to maintain the natural color of the old Red Army men. On the eve of the 14th CPC National Congress, he again expressed this hope to the Armed Forces.

It is true that the fine traditions of our Armed Forces, which give expression to the unique style and features of the People's Army, are the quintessence of the history of our Armed Forces. With such traditions, our Armed Forces were able to stand against powerful enemies in the years of war and to resist the "sugar-coated bullets" after they were garrisoned in cities and towns. Today, our Armed Forces can still depend on their fine traditions to stand the test in a peaceful environment and to always establish themselves in an unassailable position.

The CPC Central Committee and the Central Military Commission, with Comrade Jiang Zemin as the core, have attached great importance to this exhortation by Comrade Deng Xiaoping. Comrade Jiang Zemin generalized the fine traditions of our Armed Forces into 10 aspects and made systematic and profound expositions. He asked the whole Army to raise the education on fine traditions to a height in keeping with our times and to put it in a strategic position. After that, Comrades Liu Huaqing and Zhang Zhen also wrote the important

article entitled: "Carrying Forward the Fine Traditions Is an Important Question of a Strategic Nature in the Building of Our Army in the New Situation." Immediately afterward, the General Political Department compiled and issued some teaching materials entitled: "Carry Forward the Fine Traditions, Maintain the True Color of the Old Red Army."

As a result, the education on fine traditions has become a common practice throughout the Army. A powerful spiritual motive force has thus been added to the strong and healthy body of our Armed Forces, making them even more vigorous.

New Times, New Tasks—Only by Integrating the Fine Traditions With the Spirit of the Times Can They Add Radiance to One Another and Shine With Dazzling Splendor.

The world is in a historical period of great changes. The reform, opening up, and economic construction in our country are entering a new stage of development. We are living in such times.

New times, new tasks. Are fine traditions still useful at present? Fine traditions are faced with new challenges. Fine traditions can have great vitality only if the spirit of the times is added to them. Comrade Deng Xiaoping has advocated the "five kinds of revolutionary spirit" among the whole party and the entire Armed Forces. Comrade Jiang Zemin has also put forward the 64-character pioneering spirit. Fine traditions have been given a new connotation of the times and the spirit of the times has been infused into the quintessence of fine traditions. The organic integration of the two has produced a tremendous propelling force in the building of our Armed Forces.

The first indication is: Leading bodies at all levels have become stronger and more effective in improving the party's work style and in promoting clean administration. Leading cadres at all levels have enthusiastically responded to the call of the Central Military Commission leadership, gradually understood the contents of the 10 aspects of the fine traditions of our Armed Forces, proceeded from upholding the party's absolute leadership over the Armed Forces and, upholding the goal of wholeheartedly serving the people, earnestly tried to solve existing problems in the use of cadres, the use of power, the building of clean administration, and the leadership work style, and conscientiously undergone the tests involving "power, money, and beautiful women."

The second indication is: Grass-roots officers and soldiers have gradually established a correct outlook on life and a sense of value and the cohesive force of the Armed Forces has apparently increased. When "contrast between the Army and various localities" was a hot topic of discussion among the people, and some officers and soldiers had some doubts about the value of life, the education of fine traditions showed its unique might. The education on the outlook on life and the sense of value has been conducted throughout the Army in a

lively and down-to-earth manner. Being faced with the achievements of revolutionary martyrs, the officers and soldiers have gradually tended to acquire a balance between individual interests and the interests of the revolution, conscientiously engaged in hard work, become willing to make contribution and sacrifice, and energetically made contributions to the modernization of our Armed Forces.

The third indication is: The fulfillment of various tasks centering around military training has been enhanced and fighting capacity has markedly increased. The aim of the education on traditions is to increase the fighting capacity. All units of the Armed Forces have made efforts to enable the education on traditions to permeate various tasks centering around military training and to foster in the Armed Forces the revolutionary spirit of bearing hardships, doing hard work, fearing no difficulties, and a willingness to shed blood and make sacrifices. One all-powerful unit after another has left its barracks to temper itself in the vast open country, high mountains, thick forests, blue skies, boundless oceans, deserts, and snowy plains.

Fine Traditions Are Not Genetic Factors and Are Not Automatically Inherited. The Valuable Thing Regarding Traditions Lies in "Passing On." The number of old comrades who have participated in war has become smaller and smaller. How can the fine traditions of our Armed Forces be passed on and carried forward from generation to generation? A comrade with much foresight made this wonderful remark: Fine traditions are not genetic factors in nature and are not automatically inherited. The valuable thing regarding traditions lies in "passing on." "Passing on" has become a figurative term in carrying forward fine traditions throughout the Army.

Earnestly practice what one preaches—"passing on." Answering the call of the Central Military Commission leadership, large numbers of old comrades who are still working or who have retired have come to give lectures on, and pass on, the traditions to young officers and soldiers of the Armed Forces. This is the most convincing education on traditions and is also the most effective way to pass on experience, give help, and set an example. This is a kind of gratifying natural replacement: The fine traditions of our Armed Forces, like relay batons, are being passed on from the hands of the old comrades into the hands of officers and soldiers of the new generation.

"Passing on" through exerting a subtle influence on others. An outstanding characteristic in the education on traditions is to make use of visible and tangible rich historical material, concrete historical remains, and important cultural relics so that the officers and soldiers will be imperceptibly influenced by what they constantly see and hear and benefit by them. Because of this, all units of the Armed Forces have seriously grasped the construction of hardware for the education on traditions. One book after another has been written to be used as teaching material, one military history exhibition hall

after another has been built, and one room of honor after another has been renovated in companies. This visible work has created an invisible atmosphere so that the fine traditions of our Armed Forces are found at all time and everywhere. They are like spring rains at night, silently moistening the hearts of the cadres and fighters and exerting a subtle influence on them.

Constantly "passing on." What should be stressed in the education on traditions is to carry it out constantly. Many units have combined such education with routine work, carried out such education in good time in view of tendentious problems, and taken advantage of major festive activities to carry out such education. In each barracks, people can see that officers and soldiers often read books on fine traditions, sing songs about fine traditions, tell stories about fine traditions, and watch films and teleplays on fine traditions. Such incessant instillation has enabled the officers and soldiers to constantly deepen their understanding of fine traditions and to turn these traditions into conscious actions.

Let the tree of fine traditions of our Armed Forces remain green forever.

Chengdu Military Leaders Study Deng's Works

OW1001064694 Chengdu Sichuan Television Network in Mandarin 1145 GMT 9 Jan 94

[Announcer-read report from the "Sichuan News" program]

[Excerpts] Yesterday, cadres at and above the regimental and grassroots level and advanced individuals from various units under the Chengdu Military Region, gathered in Chengdu to participate in a meeting, held by the military region. They studied Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; his thinking on army building in the new period; Secretary General Jiang Zemin's instructions on army building; and plans for bringing about a new situation in army building.

The Political Commissar Zhang Zhijian presided over the meeting. Provincial Party Committee Secretary Xie Shijie and Governor Xiao Yang attended the meeting and Commander Li Jiulong made a report. He reviewed the work of the military region over the past five years. [passage omitted]

Li Jiulong stressed: It is necessary to arm all party members in the military region with the theory of building socialism with Chinese characteristics, improve the contingents of cadres organization, strengthen leading bodies at all levels, improve the party's work, build a clean and honest government, uphold and perfect the system of democratic centralism, strengthen unity within leading bodies, strengthen the building of party organizations at grassroots level, and give full play to the exemplary vanguard role of party members.

Jinan PLA Units Honor 'Heroic Fighters'*SK1101085394 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 10 Jan 94*

[Excerpts] Jinan Military Region sponsored a naming ceremony in the Bayi Auditorium on the afternoon of 10 January to confer the honorary title of heroic fighter on Xu Honggang who has taken up the cudgels for a just cause and on (Gao Qingbo) who devoted himself to national defense and the honorary title of model on the first company under certain regiment, which has been outstanding in armed force construction.

Attending the naming ceremony were leading comrades from Jinan Military Region and the leading organs under the military region, including Zhang Taiheng, Song Qingwei, (Luan Guoping), Cai Renshan, (Chen Guoliang), (Han Naida), Hao Baoqing, (Zhao Bingtian), (Liu Shoufang), and Shan Jilin; Zheng Zhengming, director of the organization department under the General Political Department of the People's Liberation Army [PLA]; (Tan Changpu), member of the standing committee under the Communist Youth League [CYL] of China and director of the organization department under the national CYL; Zhang Ruifeng, vice governor of Shandong Province; (Zhang Huahong), vice governor of Henan Province; representatives from the provinces of Sichuan, Yunnan, and Hubei; and officers and soldiers from the PLA units stationed in Jinan—more than 1,600 persons in total.

(Han Naida), director of the political department under the military region, presided over the naming ceremony and (Luan Guoping), deputy commander of the military region, read the military region's award order.

During the ceremony Zhang Taiheng, commander of the military region; Song Qingwei, political commissar of the military region; and Zheng Zhengming, director of the organization department under the PLA General Political Department; presented honorary banners, medals, and certificates respectively to the first company under the certain regiment of the military region, to Comrade Xu Honggang, and to the father of Martyr (Gao Qingbo). [passage omitted]

During the ceremony Cai Renshan, deputy political commissar of the military region, delivered a speech in which he pointed out: The two heroic fighters Xu Honggang and (Gao Qingbo) are new models emerging among the PLA units under the new situation, who conform with the four requirements of cadres. The party committee under the military region calls on the broad masses of officers and soldiers across the military region to extensively carry out the campaign of learning from Xu Honggang, (Gao Qingbo), and the first company under the certain regiment; to further enhance the construction of grass-roots level units; to vigorously build the grass-roots level units into strong collectives that are qualified in political work, are proficient in military affairs, are fine in work style, are civilized in discipline, and are providing effective guarantee for reform and

construction; and to train the broad masses of officers and soldiers into new successors conforming with the four requirements of cadres.

Economic & Agricultural**Zou Jiahua Attends Three Gorges Conference***OW1301133494 Beijing XINHUA Domestic Service in
Chinese 1152 GMT 30 Dec 93*

[By RENMIN RIBAO reporter Liu Xianri (0491 7639 2480) and XINHUA reporter Lu Yongjian (7773 3057 1696)]

[Text] Beijing, 30 Dec (XINHUA)—A five-day State Council conference on the resettlement of residents of areas affected by the Three Gorges project ended today. Zou Jiahua, vice premier of the State Council, and Qian Zhengying, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, attended the conference. In his speech summing up the conference, Chen Junsheng, state councillor and vice chairman of the Three Gorges Project Construction Committee, stressed that various localities and departments should fully understand the importance of resettling the residents of the areas affected by the Three Gorges project, accurately understand and implement the resettlement principles, and properly handle the following relationships so as to ensure the appropriate settlement of those residents:

First, it is necessary to properly handle the relationship between the construction of the Three Gorges project and economic development. The construction of this project will bring an unprecedented opportunity for the economic development of the areas along the Three Gorges. Moreover, with the implementation of preferential policies adopted by the state, it is bound to attract large amounts of funds from abroad and other parts of the country. This will be conducive to the economic development of the areas along the Three Gorges and to opening those areas to the outside world. We should "think about and look forward to the construction of the Three Gorges project," but we should not "be a drag on the project and just take advantage of it."

Second, it is necessary to properly handle the relationship between the construction of the Three Gorges project and the distribution of productive forces across the country. The construction of the project is not only the business of Sichuan and Hubei provinces but the common undertaking of the people throughout the country. It is an unshirkable responsibility and obligation of people in all trades and professions to support the construction of the Three Gorges project and the resettlement of those residents affected by the project.

Third, it is necessary to properly handle the relationship between migration and local economic development. We should clearly define the near-term goal of migration and

the long-term objective of economic development in the resettlement areas and combine the former with the latter.

Fourth, it is necessary to properly handle the relationship between agriculture on the one hand, and the secondary and tertiary industries on the other. Most residents affected by the Three Gorges project should be resettled in rural areas. In migrating people to rural areas, stress should be placed on agriculture. In areas with the necessary conditions, efforts should be made to develop the processing of agricultural and sideline products, transportation, service trade, and other secondary and tertiary industries according to local conditions in order to increase job opportunities for migrants.

Fifth, it is necessary to properly handle the relationship between settling problems on the spot and resettling people in other areas. We should implement the principle of resettling those people in areas close to the Three Gorges reservoir area and settling problems on the spot. When people from rural areas cannot be resettled this way, they may migrate to other areas; but the funds for this purpose should not exceed the compensation standard set by the state or the budgetary estimate approved by it.

Sixth, it is necessary to properly handle the relationship between support given by relevant departments and mutual benefit. Various localities and departments should first give consideration to support, but such support is not given without compensation. In actual work, it is essential to give support on the principle of being mutually complementary and beneficial, and working together for development from a long-term point of view.

Seventh, it is necessary to properly handle the relationship between the central and local authorities. In resettling the residents affected by the Three Gorges project, we should implement a resettlement management system under which "the central authorities exercise unified leadership, with provinces assuming their respective responsibilities and counties acting as the basic unit." By exercising unified leadership, it means that the central authorities mainly exercise leadership in principle and policy, and perform their functions in macro regulation and control. Assuming their respective responsibilities by provinces, with counties acting as the basic unit, means that, from now on, provinces should have full authority to handle matters that should be handled by them, in order to fully arouse the enthusiasm of local authorities. A responsibility system should be instituted from the central to local levels.

In concluding, Chen Junsheng stressed that it is most important to first resettle residents of the areas affected by the Three Gorges Dam. All the residents in the areas within 15 square kilometers of the dam construction site should be migrated to other areas by the end of next year. Measures should be taken now to ensure that they will pass the winter safely.

Li Tieying Urges Restructuring 'Pilot Cities'

OW1101133294 Beijing XINHUA in English 1247
GMT 11 Jan 94

[Text] Chongqing, January 11 (XINHUA)—Li Tieying, a senior Chinese leader, has urged Chengdu, Chongqing and other pilot cities to take the lead in establishing a socialist market economic structure.

While inspecting the two cities in Sichuan Province during January 6-11, State Councillor Li Tieying said that Sichuan should blaze a new trail of speeding up the reform and opening wider to the outside world for other inland areas in the country.

The leader discussed how to promote the reform together with executives of major state-owned companies in Chengdu, the capital of Sichuan Province, and Chongqing, the leading manufacturing and commercial center in southwest China. He also visited a number of manufacturing companies in Chongqing.

Li, who is also the minister in charge of the State Commission for Restructuring the Economy, asked local officials to step up construction of transportation, telecommunications and energy facilities in Sichuan Province.

"Sichuan should also try to promptly institute a new economic system and an efficient operational mechanism," he said.

The leader also asked local officials to attract more funds, technology and personnel from other parts of China and the world.

Li said that current comprehensive reforms focus on the transformation of the operational mechanism of state-owned enterprises, the introduction of a modern enterprise system and implementation of macro-economic controls.

"In the course of the reform the government serves both as a director and the most important actor," he told local officials.

Therefore, government bodies must play a leading role in the establishment of a modern enterprise system, while transforming their own functions, he noted.

Li Tieying stressed the importance of freeing businesses from the burden of "running society"—taking charge of all employees' welfare—by introducing a social security system.

"Only by solving that problem will enterprises be able to become vigorous in market competition," he said.

Speaking of cultivating a market structure, the leader stressed the need to promote the construction of production factor markets, financial markets and technology markets, as well as intermediate agencies such as accounting, auditing and law offices.

National Forum on Monetary Affairs Begins 12 Jan*HK1301044294 Hong Kong WEN WEI PO in Chinese 13 Jan 94 p A2*

[By staff reporter Chen Chien-ping (7115 1696 1627): "National Monetary Work Conference Opens in Beijing To Discuss Six-Point Reform Program"]

[Text] Beijing, 12 Jan (WEN WEI PO)—A national monetary work conference began a six-day meeting in Beijing today, and a meeting of the presidents of the various major branches of the People's Bank of China will be held at the same time. State Council Vice Premier Zhu Rongji will deliver a speech at the closing ceremony on 17 January.

An authoritative source disclosed that the principal missions of the current monetary work conference were to comprehensively and conscientiously carry out the requirements of monetary structural reform proposed at the Third Plenary Session of the 14th CPC Central Committee and to put monetary restructuring plans formulated by the central authorities into practice. The primary substance of the above plans include:

- The institution of a powerful macroscopic regulation and control system under the central bank.
- The formation of several policy banks and the change from specialized banks to commercial banks to realize the separation of policy-oriented banking from commercial banking; the establishment of a state development bank mainly engaged in state investment in key construction projects and the provision of loans; the establishment of a China Import and Export Credit Bank to foster imports and exports of machinery and electrical products, particularly complete equipment sets, and to extend credit to buyers and sellers; and the establishment of an agricultural development bank.
- The adoption of measures to optimize the structure of credit funds, enhance the fund utilization rate, and ensure that credit funds are used to support the state's key construction projects.
- A requirement for the central bank to intervene in the foreign exchange markets to maintain the general stability of exchange rates through market operations, and the establishment of a market for foreign exchange transactions among banks.
- The further development and revitalization of money markets to facilitate financing under the precondition of a strict and standardized management of the markets.
- The further amplification and perfection of monetary rules and regulations in order to tighten monetary examination, intensify risk management, and guarantee the security and liquidity of funds.

Article Views Exchange Rate Unification*HK1301120094 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 Jan 94 p 2*

[By staff reporter Dai Lan (2071 1526): "A Major Measure for Reforming Foreign Exchange System—Commenting on Unification of China's Foreign Exchange Rates"]

[Text] Reform of China's foreign exchange system has made a giant leap after all.

On 29 December 1993, officials from the People's Bank of China announced: As of 1 January 1994, China will unify exchange rates and practice a unitary, well-managed, and floating exchange rate system based on market supply and demand. This major measure taken by the Chinese Government for the establishment of a socialist market economic structure is undoubtedly a relatively thorough change to the double-track system of exchange rates, under which official rates and rates quoted at foreign exchange swap markets coexisted, and which has been practiced in China for several dozen years.

In fact, the exchange rate of renminbi has undergone several changes since reform and opening up. Prior to 9 April 1991, an adjustable "pegged" exchange rate system was practiced in China for official exchange rates. Starting 9 April 1991, the official rates of renminbi were quoted under a managed floating rate system with the rates between U.S. dollar and renminbi at about 1:5.2 then floating to about 1:5.8 at the end of last year. At the beginning of 1988, China set up foreign exchange swap markets, allowing enterprises to buy or sell foreign exchange at the prices determined, to a certain extent, by market supply and demand. In December 1991, China again set up foreign exchange swap markets for residents inside the territory, allowing them to trade foreign exchange within a certain limit. Comparing the present reform with the above progressive changes, people can see that there are distinctive differences in terms of range and intensity.

The current reform of foreign exchange system also includes the practice of a banking system in settlement and sales of foreign exchange; revocation of foreign exchange to be retained and turned over to the state by enterprises; establishment of an exchange market for transactions among banks; improvement of exchange rate formation mechanisms; prohibition of foreign exchange priced, settled, and circulated inside the territory; suspension of issuing exchange coupons; improvement and perfection of managing settlement of internal and external remittances; realization of renminbi convertibility under current accounts; cancellation of mandatory planning for revenue and expenditure in foreign exchange; and exercise of macroscopic regulation and control by the state over foreign exchange and international payments mainly through economic and legal means.

This major reform measure will have a far-reaching impact on China's economy. Experts maintain that judging from the economic situation in China now, conditions for unified exchange rates have matured. According to the latest figures released by the State Statistical Bureau, China's GNP broke through 3 trillion yuan last year, representing an increase of 13 percent over the previous year, and the total volume of imports and exports reached \$190 billion, increasing by approximately 15 percent over the previous year. Since Chinese commodities are acceptable to the world, it is natural that renminbi, which represents the value of Chinese commodities, should be accepted by the world too. This has provided favorable conditions for unification of the renminbi exchange rate from the point of balancing international payments.

People also discovered that at the time when the exchange rates were being unified, a "consumption craze" emerged in large and medium cities in China, but it was very soon quenched. This was attributed to the following arrangements of the government. Foreign exchange retained by enterprises was allowed to be used again, exchange coupons were allowed to be used indefinitely after the suspension of their issuance, the price difference between renminbi and exchange coupons was maintained, and others, to avoid encroaching upon the interests of enterprises, localities, and individuals. In the meantime, people realized more clearly that although the unification of exchange rates might still cause labor pangs, after all, advantages outweighed disadvantages. It will be conducive to China's openness to the outside world, importing of foreign capital, building of the socialist market economic structure, and enhancement of efficiency in all capital liquidity. It will also contribute to restoring China's signatory status in GATT as it has removed a major obstruction on the road to reentering GATT. In addition, the practice of a unified exchange rate system also has opened a path for renminbi to become a freely convertible currency, thereby moving toward achieving the ultimate goal of linking China's markets with the world market.

Economists here maintain that in the course of abolishing the old structure and establishing the new, there are still a lot of concrete tasks to do. China's new exchange rate system has just begun to operate, so the government should be very prudent in its actions and chiefly employ economic and legal means to achieve macroscopic regulation and control over foreign exchange and international payments, with a view to preventing great fluctuations in exchange rates and ensuring China's economy develops in a sustained, rapid, and healthy manner.

Bank of China President on Policies, Goals

OW1201135394 Beijing XINHUA in English 1240
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—The Bank of China [BOC], the state foreign exchange bank, reported

here today its increased foreign exchange deposits and assets volume and said that its credit policy in the new year would stress economic efficiency while avoiding credit risks.

The bank revealed that its foreign exchange deposits hit 27.84 billion U.S. dollars by the end of 1993, of which 9.2 billion U.S. dollars were individual savings.

This represents an increase of 18 percent and 50.7 percent respectively, compared with the previous year.

BOC's overseas branches also did brisk business in 1993, with the deposits in these branches expanded to some 59.9 billion U.S. dollars and the total assets value risen to over 120.7 billion U.S. dollars by the end of last year.

However, "we should stress economic efficiency, and the ability of repayment should be the important yardstick in extending loans," said Wang Qiren, the bank's new president, when addressing a working meeting attended by BOC's branch heads across the country today.

According to Wang, the bank's credit priorities in 1994 would still be given to some enterprises which have been the country's big hard currency earners, some efficient state enterprises, the basic industries and infrastructure construction projects.

The bank would try to ensure the credit supply of foreign-funded enterprises, said Wang.

Lending to enterprises with poor productivity or outdated techniques, as well as money-losing firms would be strictly controlled, as such loans would assume more risks.

The president asked the branch officials not to provide a penny to new capital projects which have not been licensed by the central authorities.

Starting this year, China introduced a new foreign exchange rate system characterized by a single and floating exchange rate for the Chinese yuan.

Under the system, enterprises and units must sell all their foreign exchange earnings to the state banks and buy hard currency from the banks with necessary documents.

To ensure necessary and sufficient supply of foreign exchange, the Bank of China will set up special sections to examine the validity of the documents.

It will also set up a unified foreign exchange rate with certain floating range on the basis of the benchmark rate set by the central bank to guide the foreign exchange business in its branch offices across the country.

Wang Qiren revealed that this year, the bank will provide services to individual Chinese who are doing foreign exchange trading.

However, the service would first open in economically-developed coastal regions and with prudence, said Wang.

He urged BOC branch offices to mobilize enough RMB [renminbi] yuan to ensure the converting of foreign exchange certificates (FEC) and the settlement of hard currencies.

Price Hikes, Inflation Viewed

HK1201143194 Beijing ZHONGGUO XINWEN SHE
in Chinese 0849 GMT 12 Jan 94

[Text] Beijing, 12 Jan (ZHONGGUO XINWEN SHE)—China experienced a fairly sharp price fluctuation around the New Year. Does this increase in prices for grain, oil, foods and home electric appliances, coming as it did on the eve of the initiation of this year's reforms, signal, that this year, or in the future, it is not going to be peaceful or that reforms has been too swift and drastic?

A commentary by a correspondent in ZHONGGUO GAIGE BAO [CHINA REFORM POST], which put out its inaugural issue only today, entitled "Prices go up and down, reforms continue to forge ahead," held that the recent round of price hikes, especially prices for grains, oil, and home appliances, which topped the hikes, were not caused by a shortage of goods or demand exceeding supply or a problem that might affect the overall situation, and therefore was not a new round of inflation.

The commentary says: Rising and falling prices affect thousands of households and everyone has his opinion. But it would be a little too much to view the recent round of price hike as a prelude to the kind of buying panic witnessed in 1988.

From the overall economic situation perspective, the buying panic five years ago was triggered by a serious unbalance between total supply and total demand. This was not the case in the latest price hike, which was rather a man-made local fluctuation.

Last year, China's economy grew at a high-speed rate of 13 percent, with its GNP topping 3,000 billion yuan, winning praise around the world. Macro-regulation and control last summer and autumn removed some unhealthy elements, or lessened their harm, in our economic life. Annual total national economic supply of goods, including some capital goods which had been undersupplied in the first half of last year, were bigger than total demand—a sharp contrast to 1988. Last year, China's gross grain output hit a record high at 456 million tonnes. The state had full grain reserves, and demand equaled supply. After 15 years of construction, China's production capacity of major home electric appliances far outruns their demand. The worries of the manufacturers who make color televisions, refrigerators, washing machines, hi-fi machines, and air conditioners are sluggish sales and inventory backlogs, resulting in underproduction and idle equipment, rather than big demand or panic buying. This explains why prices for home electric appliances fell last autumn, causing worry among manufacturers and dealers, until the market improved toward the end of the year, prices recovered, and times became better for them.

The commentary pointed out: The yearend price hikes on the mainland were touched off by many different factors:

Grain price increases began sharply in the south and moved northward moderately. This was reflected in: Peasants' reluctance to sell grain in their they had, purchases by individual grain dealers at high prices, and state-owned grain stores held off selling grain in anticipation of higher prices. Sensing the trend, some residents joined the ranks of the buyers. With last year's bumper harvests, was it not strange that peasants were unwilling to sell their grains? No, it was not strange. Following the national rural work conference last October, there came the news that the state was going to raise the grain procurement price by a relatively great margin. The peasants heard the news—and which one of them did not want to wait for a better sale price? Some peasants turned themselves around to head home when they learned the news on their way to sell their grains.

Prices for home electric appliances reversed the falls and rose because of the misunderstanding of the consumption tax. As soon as word came out that there would be tax changes and that the state was going to levy consumption taxes beginning with the new year, the abrupt price rise in 1988, of color televisions came to mind. Who does not want to insure against inflation if he has money? Many only realized the consumption tax did not affect the price until after they had already bought home electric appliances.

But this applies not only to home electric appliances. Even the sharp fall of stocks was ultimately caused by noneconomic factors. It was mainly caused by stories about the state planning to tax individual income earned from stocks and the securities commission's severe restrictions on allocating and giving shares, which increased the number of sellers and drove off buyers. Eventually this led to a 200 point fall on the Shanghai stock market. Later people recovered their senses, the shares index climbed back, and the market returned to normal.

The commentary says, inflation may be demand-pulled or cost-pushed. The latest round of price hikes was neither the former nor latter, but was caused by insufficient advanced publicity explaining the forthcoming reformist measures, and as it was, strictly speaking, not inflation. Although for now prices remain high and the threat of inflation still exists, this is not the same as inflation.

Lastly, the correspondent's commentary observed: The latest round of "price hike turmoil" has taught us that in the future, adjustment actions by the state on economic life inevitably cause widespread social concern and reactions. This is not strange, because reforms, in the end, are adjustments of interest relationships. It would indeed be strange for people not to react to something which concerns their immediate interests. For concerned government departments, since the structure is breaking

new ground, the whole structure is moving ahead with breakthroughs in selected areas, and since the planned economy is moving rapidly toward a market economy, they have to review and look anew at some of the past methods, customary and well-tried though they are. They must pursue scientific, effective macroregulation and control, prevent excessive price rises, gradually learn to handle the market economy with a genuine market approach, and try as much as possible to avoid handling the market economy with a planning economy approach.

Tax Official Briefs Journalists on Tax Reform

Discusses 'Structural Reform'

OW1301130694 Beijing XINHUA Domestic Service in Chinese 0831 GMT 12 Jan 94

[By RENMIN RIBAO reporter Li Jianxing (2621 1696 5281) and XINHUA reporter Ding Jianming (0002 1017 6900)]

[Text] Beijing, 12 Jan (XINHUA)—The State Council's Information Office gave a media briefing in Beijing today, during which Jin Xin, director general of the State Administration of Taxation, briefed Chinese and foreign reporters about China's tax reform and fielded related questions.

According to the director general, on 1 January this year a major structural reform became effective in China's industrial and commercial taxes; and a new system was implemented for the main tax categories, including value-added tax, consumption tax, business tax, enterprise income tax, individual income tax, resource tax, and land value-added tax. Judging from the progress in implementing the new system over the past 10 or more days, the transition from the old to the new taxation system has been rather smooth.

Jin Xin particularly discussed tax reform issues concerning enterprises with foreign investment and foreign enterprises. He said: The implementation of the new taxation system will not change the provisions on tax incentives in the income tax law for foreign-invested and foreign enterprises which went into effect on 1 July 1991. Changes for foreign-invested and foreign enterprises involve mainly tax categories such as the nationally unified value added tax, consumption tax, and business tax which are to be levied on foreign-invested enterprises and foreign enterprises effective 1 January 1994 in accordance with a decision adopted by the fifth meeting of the Eighth National People's Congress [NPC] Standing Committee.

Jin Xin pointed out: The levying of the nationally unified value-added tax, consumption tax, and business tax on enterprises with foreign investment and foreign enterprises is to satisfy the requirements of establishing and developing a socialist market economy and to equalize the tax burden; it has also been the request of the majority of foreign-invested enterprises and foreign enterprises. To keep foreign tax policy successive and

stable, the tax reform has followed an important policy principle of not increasing the tax burden on enterprises with foreign investment. This is to say that the redesigning of tax rates will neither increase nor decrease the aggregate tax burden. In this way, the state can be guaranteed of no decrease in its financial revenue, and enterprises, of no additional tax burden as a result of reform.

Jin Xin said: Due to changes in the structure of the taxation system and in the chain of tax payers, increased or decreased tax burdens on products and enterprises will be unavoidable. As far as this is concerned, the state will adopt necessary policy measures to ensure the smooth transition from the old to the new tax system. He added: In line with the regulations adopted by the NPC Standing Committee, enterprises with foreign investment licensed before 31 December 1993 will be refunded any tax burden increase resulting from the introduction of the value-added tax, consumption tax, and business tax as approved by the tax authorities. This will be limited within the time period of the approved contract of operation, with a maximum period of five years. Any foreign-invested enterprises approved after 1 January 1994 will be subject to the new tax system.

Views Foreign Investment

OW1201134994 Beijing XINHUA in English 1237 GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—Jin Xin, director-general of the State Administration of Taxation (SAT), emphasized here today that the new taxation system, which went into effect at the beginning of this year, will not damage the interests of overseas-funded enterprises.

According to him, the tax reform will not change the income tax law concerning foreign investment enterprises effective as of July 1991, with all the incentives maintained.

Foreign investment enterprises set up in special economic zones, coastal opening-up districts and the Pudong new area in Shanghai, will still enjoy an unchanged 15 percent preferential income tax rate, Jin Xin said. He added that for domestic enterprises, a single flat rate of 33 percent is being implemented.

However, as he disclosed, the nationally unified value added tax, excise tax and business tax will be levied on enterprises with foreign investment and foreign enterprises as of January 1, 1994, as was decided at the 5th Session of the Standing Committee of the Eighth National People's Congress (NPC).

He said this was to satisfy the requirements of a socialist market economy, to equalize tax burden, as has also been the request of the enterprises with foreign investment and foreign enterprises.

Jin vowed that to keep the foreign tax policy successive and stable, the tax reform has followed an important

policy principle for foreign investment enterprises, namely, the redesigning of tax rates would neither increase nor decrease the aggregate tax burden.

To favor the smooth transition from the old to the new taxation system, the NPC Standing Committee has approved that for foreign-funded enterprises licensed before December 31, 1993, any tax burden increase resulting from the tax reform is to be refunded to the enterprises as approved by the tax authorities.

According to him, this preferential treatment will be limited within the time period of the contract, with a maximum period of five years. But, any foreign-invested enterprises approved after January 1, 1994, will be subject to the new tax regime.

Jin Xin concluded that the measure will allow foreign enterprises a five-year period to transmit management mechanisms and raise economic benefits, in order to exercise fair competition with domestic enterprises after five years.

He emphasized that this measure has once again demonstrated China's determination to open up to the outside world at an accelerating pace.

Rules for Implementing VAT Regulations

OW0401061094 Beijing XINHUA Domestic Service in Chinese 0509 GMT 27 Dec 93

[Text] Beijing, 27 Dec (XINHUA)— The Rules for the Implementation of the Interim Regulations Concerning the Value-Added Tax [VAT] of the People's Republic of China

Article 1. These rules are formulated in accordance with Article 28 of the "Interim Regulations Concerning the VAT of the People's Republic of China" (hereafter referred to as the "regulations").

Article 2. Merchandise mentioned in Article 1 of the regulations refers to tangible assets, including electric power, thermal power, and gas.

"Processing" mentioned in Article 1 of the regulations refers to merchandise processing, namely, a business operation in which a consignor provides raw materials and major materials to a consignee so that the latter will produce merchandise according to the consignor's requirements and collect a fee for processing.

"Repair and restoration" mentioned in Article 1 of the regulations refers to a business operation in which a consignee undertakes to repair damaged or malfunctioned goods and restores them back to their original conditions and functions.

Article 3. "Merchandise sale" mentioned in Article 1 of the regulations refers to the compensatory transfer of the ownership right of goods.

"Labor provided for processing, repair, and restoration" mentioned in Article 1 of the regulations refers to

compensatory provision of labor for processing, repair, and restoration, exclusive of the labor provided by units' or individual business operators' employed staff members and workers to perform processing, repair, and restoration work for their own units and their employers.

"Compensation" referred to in the present rules includes currency, goods, and other economic benefits as obtained from the buyers of services.

Article 4. Following acts of units or individual business operators constitute merchandise sale:

- (1) Entrust others for the sale of goods.
- (2) Merchandise sale on a commission basis.
- (3) Taxpayers owning more than two institutions and practicing a unified accounting system and moving goods intended for sale from one institution to others, but excluding relevant institutions set up in the same county (city);
- (4) Self-produced goods or processed goods which are used for non-taxable projects.
- (5) Self-produced goods, processed goods, or purchased goods intended for investment which are provided to other units or individual business operators
- (6) Self-produced goods, processed goods, or purchased goods which are allotted to shareholders or investors.
- (7) Self-produced goods and processed goods which are intended for collective welfare or for personal consumption.
- (8) Self-produced goods, processed goods, or purchased goods which are given away as free gifts.

Article 5. An act of sale which involves both the merchandise and non-taxable labor constitutes an act of combined-sale. As the combined-sale acts of enterprises, entrepreneurial institutions, and individual business operators engaging in the business of manufacturing, wholesaling, and retailing of goods constitute acts of merchandise sale, they should be levied with the VAT; as for the combined-sale acts of other units and individuals are considered as nontaxable labor, they will not be levied with the VAT.

Collection organs under the State General Administration of Taxation shall determine whether the tax-payers' sale act constitutes a combined-sale act.

"Nontaxable labor" as mentioned in the same article refers to the labor tax category which covers the traffic and transportation industry, building industry, financial and insurance industry, posts and telecommunications industry, culture and sports industry, entertainment industry, and service trade which should pay the business tax.

"Enterprises, entrepreneurial institutions, and individual business operators engaging in the business of manufacturing, wholesaling, and retailing of goods" mentioned in the same article include enterprises, entrepreneurial institutions, and individual business operators which are mainly engaged in the manufacturing,

wholesaling, and retailing of merchandises and concurrently conduct non-taxable labor operations.

Article 6. Taxpayers who also run non-taxable labor operations should set up separate accounts for merchandise sale amounts and for the sale amounts of taxable and non-taxable labor. If they fail to set up separate accounts or to provide accurate account information, their non-taxable labor operations will be levied with the VAT, along with goods and taxable labor operations.

Collection organs under the State General Administration of Taxation shall determine whether to impose the VAT on non-taxable labor operations run concurrently by taxpayers.

Article 7. "Sale of goods within the border of the People's Republic of China (hereafter referred to as within the border)" mentioned in Article 1 of the regulations refer to the point of transport and origin of the goods for sale are within the border;

"Sale of taxable labor within the border" mentioned in Article 1 of the regulations refers to the occurrence of the sale of taxable labor within the border.

Article 8. "Units" mentioned in Article 1 of the regulations refer to state-owned enterprises, collective enterprises, privately owned enterprises, shareholding enterprises, other enterprises and administrative units, institutions, military units, social groups, and other units.

"Individuals" mentioned in Article 1 of the regulations refer to individual business operators or other individuals.

Article 9. When the operations of an enterprise are leased or contracted out to others, the one who undertakes the lease or contracts the operations of the said enterprise becomes the taxpayer.

Article 10. A higher tax rate should be applied to those taxpayers who sell goods or taxable labor with differentiated tax rates and who concurrently engage in the non-taxable labor which should be imposed with a VAT.

Article 11. Taxpayers other than small taxpayers (hereafter referred to as general taxpayers) should deduct from the sales tax for the amount of the VAT which is reimbursed to buyers because of merchandise-return or because of trade-in; as for the calculation of the amount of the reimbursed VAT, it should be based on the actual date of occurrence of the merchandise-return or trade-in. The amount of VAT recovered due to the return of stocked goods or due to trade-in should be deducted from the amount of purchase tax; as for the calculation of the amount of the recovered VAT, it should be based on the actual date of the occurrence of the return of the stocked merchandise and the trade-in.

Article 12. "Costs that are not included in the calculated prices" mentioned in Article 6 of the regulations refer to

service charges, subsidies, funds, fund-raising fees, promotion fees, fines (interests for late payment), packing, rent for packing materials, storage fees, quality-insurance fees, transport, loading, and unloading fees, advance fee collection, advance fee payment, and other fees that are not included in the calculated prices and that are collected from buyers. The following, however, are not included:

- (1) Business sale tax amount collected from buyers;
- (2) Advance payment of consumption tax for consumption of materials used during product processing.
- (3) Advance transport fees that meet the following conditions:

1. Transport fee invoice issued by transport department to merchandise buyers.
2. Taxpayers' transfer of the above invoice to merchandise purchasers.

All costs which are not included in the calculated prices, regardless of various accounting systems, should be included in the sale amount for taxation purposes.

Article 13. The sales volume of an act of combined sale and non-taxable labor services operated on a sideline basis, which are subject to the VAT under provisions of Articles 5 and 6 of these rules, shall respectively be the addition of the sales volume of both merchandise and non-taxable labor services, and the addition of the sales volume of merchandise or taxable labor services and that of non-taxable labor services.

Article 14. The formula for calculating the sales volume of merchandise or taxable labor services of a general taxpayer, who applies the method of combining sales volume and sales tax amount in determining a price, shall be as follow:

sales volume = sales volume before tax / (1 + tax rate)

Article 15. Under provisions of Article 6 of the regulations, taxpayers who use foreign exchange in calculating sales volume may select a renminbi conversion rate based either on the day when the sale is concluded or on the state foreign exchange rate quoted on the first day of the month when the sale is concluded (taking the middle price in principle). Taxpayers shall decide in advance which conversion rate they want to take and shall not alter it within a year after a decision is made.

Article 16. In the event that a taxpayer encountering a situation under Article 7 of the regulations involving obvious price reductions without justifiable reasons, or a situation under Article 4 of these rules involving an act of sale of merchandise without sales volume, his sales volume shall be determined according to the following order:

- (1) By the average sale price of merchandise of the same category sold by the taxpayer in that particular month;
- (2) By the average sale price of merchandise of the same category sold by the taxpayer in the most recent period.

(3) By composite tax-calculating price, the formula of which shall be:

Composite tax - calculating price = costs x ((1 + profit rate)/costs)

For merchandise subject to consumption tax, the amount of consumption tax should be added to its composite tax-calculating price.

Costs in the formula refer to actual production costs in the case of selling self-produced merchandise, and the actual purchase price in the case of reselling other's merchandise. Profit rate over costs in the formula shall be determined by the State Administration of Taxation.

Article 17. Purchase price stated in Clause 3 of Article 8 of the regulations shall include the sum paid to agricultural producers by the taxpayers when the latter purchase tax-free agricultural products from the former, and special agricultural production tax received by the latter from the former for payment to the tax authorities according to stipulations.

The sum mentioned in the preceding paragraph refers to the sum stated in the purchase certificate authorized for use by the tax authorities.

Article 18. For an act of combined sale and non-taxable labor services operated on a sideline basis—which are subject to the VAT under the provisions of Article 5 and 6 of these rules—the purchase tax paid for purchasing merchandise or operating non-taxable labor services on a sideline basis is deductible from sales tax, provided that the requirements of Article 8 of the regulations are met.

Article 19. Fixed assets stated in Article 10 of the regulations refers to:

- (1) Machines, machineries, transportation means and other production-related equipment, instruments, and appliances which have been in use for more than a year.
- (2) Articles worth 2,000 yuan and above per unit, not being major equipment for production or operation, which have been in use for more than two years.

Article 20. Non-taxable items stated in Article 10 of the regulations refers to the provision of non-taxable labor services, transfer of intangible assets, sale of immovable properties, and fixed assets under construction.

Buildings newly built, innovated, expanded, repaired, or decorated by taxpayers shall fall under fixed assets under construction mentioned above, irrespective of what kind of accounting system is adopted.

Article 21. Abnormal losses stated in Article 10 of the regulations refers to losses other than the losses incurred during usual production and operation process, including:

- (1) Losses caused by natural disasters.

- (2) Losses resulting from merchandise theft, mildew, and deterioration due to poor management; and
- (3) Other abnormal losses.

Article 22. Purchase tax for merchandise and taxable labor services falling under Clauses (2) to (6) of Article 10 of the regulations should be deducted from the current purchase tax period. When the actual amount of purchase tax cannot be accurately ascertained, the deductible purchase tax shall be calculated according to actual costs for that particular period.

Article 23. Taxpayers trading tax-free items or non-taxable items (excluding fixed assets under construction) as a sideline business, who are unable to determine which purchase tax is deductible, shall calculate the amount of nondeductible purchase tax in accordance with the following formula:

nondeductible purchase tax = total amount of purchase tax for that month x (sum of sales of tax free items and business volume of non-taxable items for that month/sum of total sales on business volume for that month)

Article 24. The criteria for small-scale taxpayers stated in Article 11 of the regulations are as follow:

- (1) Taxpayers engaging in production of merchandise or supply of taxable labor services, and taxpayers conducting production of merchandise and supply of taxable labor services as main business and wholesale and retail of merchandise as side business, whose annual sales volume that are subject to VAT (hereinafter abbreviated as taxable sales tax volume) is less than 1 million yuan; and
- (2) Taxpayers engaging in wholesale or retail of merchandise whose annual taxable sales volume is less than 1.8 million yuan.

Individuals, noninstitutional units, and enterprises with rare taxation involvement, whose annual taxable sales volume exceeds the criteria for small-scale taxpayers, shall be taxed as small-scale taxpayers.

Article 25. The sales volume of a small-scale taxpayer does not include the taxable amount.

When a small-scale taxpayer who sells goods or provides taxable services sets prices by combining the sales volume with the taxable amount, the following formula shall be used to calculate the sales volume:

sales volume = sales volume containing taxable portions/ (1 + taxation rate)

Article 26. Sales volume delivered to the buyer by a small-scale taxpayer as a return sale or a sale discount shall be deducted from the sales volume during the period when the return sale or sale discount occurred.

Article 27. The sound accounting system referred to in Article 14 of the regulations means a system capable of accurately computing the amounts of sales and purchase

taxes, as well as taxable amounts, in accordance with accounting rules and the demands of taxation agencies.

Article 28. A self-employed business operator who meets the requirements outlined in Article 14 of the regulations may be designated as an ordinary taxpayer with the approval of bureaus directly under the State General Administration of Taxation.

Article 29. A small-scale taxpayer who has been designated as an ordinary taxpayer may not resume his or her former status.

Article 30. In any of the following circumstances, an ordinary taxpayer shall calculate the taxable amount on his or her sales volume according to the VAT rate; he or she shall not be allowed to offset the amount against the purchase tax amount or to use special VAT invoices.

- (1) Lacking a sound accounting system or incapable of providing accurate tax data;
- (2) Not applying for procedures leading to a designation as an ordinary taxpayer despite meeting the requirements for such status.

Article 31. The scope of partially tax-exempt items outlined in Article 16 of the regulations is delineated as follows:

- (1) Agriculture mentioned in item (1) of the first paragraph refers to crop production, fish breeding and poultry raising, forestry, animal husbandry, and aquatic production.

Farm producers include units and individuals engaged in farm production.

Agricultural products refer to primary agricultural products whose specific scope shall be defined by bureaus directly under the State General Administration of Taxation.

- (2) Ancient and used books referred to in item (3) of the first paragraph mean ancient and used books bought from society.
- (3) Articles referred to in item (8) of the first paragraph mean goods other than yachts, motorcycles, and automobiles subject to consumption taxes.

Articles used by oneself refer to those used by other individuals referred to in Article 8 of these rules.

Article 32. The baselines for collecting VAT referred to in Article 18 of the regulations apply to individuals only.

The baseline for collecting VAT is quantified as follows:

- (1) A monthly sales volume of 600-2,000 yuan for cargo sales;
- (2) A monthly sales volume of 200-800 yuan for taxable services;
- (3) A sales volume of 50-80 yuan per installment (day) for taxes paid in installments.

The sales volume referred to in the preceding paragraph is that of a small-scale taxpayer referred to in the first paragraph of Article 25 of these rules.

Bureaus directly under the State General Administration of Taxation shall determine locally applicable baselines within the prescribed range and in light of realities and report them to the State General Administration of Taxation for filing purposes.

Article 33. Depending on different sales settlement methods, the following are the dates on which taxes shall be paid for merchandise sales or taxable services as referred to in item (1) of Article 19 of the regulations:

- (1) Where merchandise is sold through direct payment methods, it is the date on which the sales volume is received or evidence showing the request thereof is obtained, and on which the bill of lading is forwarded to the buyer regardless of whether the merchandise has been delivered.
- (2) Where merchandise is sold through payment collection methods or by commissioning banks to collect payments, it is the date on which the merchandise is delivered and payment collection procedures are completed.
- (3) Where merchandise is sold on credit or for installment payments, it is the contractually specified date for the collection of payments.
- (4) Where merchandise is sold for advance payments, it is the date on which the merchandise is delivered.
- (5) Where merchandise is sold on commission by other taxpayers, it is the date on which sales statements are received from units selling the merchandise on commission.
- (6) Where taxable services are sold, it is the date on which the sales volume is received in full or evidence showing the request thereof is obtained.
- (7) Where the taxpayer carries out acts equivalent to merchandise sales as outlined in items (3) through (8) in Article 4 of these rules, it is the date on which the merchandise is transferred.

Article 34. If units or individuals outside the national boundaries sell taxable services within the national boundaries where they do not maintain business organizations, their agents, or the buyers in the absence thereof, shall be responsible for deducting their taxes.

Article 35. If nonregular business operators sell merchandise or taxable services in other counties (cities) without declaring and paying taxes to the tax authorities in places where the sales are conducted, the tax authorities in places where their organizations are located or in their places of abode shall collect the outstanding taxes.

Article 36. The taxation organs referred to in Article 20 of the regulations are the State General Administration of Taxation and its affiliated collection agencies.

The taxation authorities and collection agencies referred to in both the regulations and these rules are taxation

organs that are above the level of bureaus under the State General Administration of Taxation.

Article 37. The terms "above" and "below" used in these rules include the levels mentioned in the terms.

Article 38. The Finance Ministry or the State General Administration of Taxation shall be responsible for interpreting these rules.

Article 39. These rules shall take effect on the same day as the regulations become effective. The "Rules for Implementing the Regulations (Draft) of the People's Republic of China on VATs" and the "Rules for Implementing the Regulations (Draft) of the People's Republic of China on Product Taxes" promulgated by the Finance Ministry on 28 September 1984 shall be abolished on the same day.

[Promulgated by] The Finance Ministry

[Dated] 25 December 1993

Official Predicts Economic Growth To Rebound

HK1101082494 Beijing ZHONGGUO XINWEN SHE
in Chinese 0902 GMT 7 Jan 94

[By reporter Xiao Rui (5135 3843)]

[Text] Beijing 7 Jan (ZHONGGUO XINWEN SHE)—Based on its monitoring of the Chinese economy in 1993, an authoritative department in charge of economic affairs predicts that in the first few months of 1994, China's economy will rebound rapidly, therefore, it is necessary to implement a slightly tighter monetary policy to avoid more stringent policies, which will be needed if the economy becomes "overheated" once again.

At present, there are many destabilizing factors within China's economy; in particular, the investment momentum is great, and many localities are waiting for the central leadership to delegate more power to them so they can launch projects. Meanwhile, the reason for poor economic efficiency among enterprises is partly because of a shortage of funds due to a cut in the total, but mainly because they have internal structural problems. If the current monetary policy, which is already loose, continues to become loose, then the whole economy will rebound rapidly and will quickly reach the level of July 1993, leading to a tense macroeconomic situation.

The year 1994 will be a year of reforms in China. Reforms in the areas of taxation, finance, investment, foreign exchange, housing, and prices will be thoroughly launched, and these reforms are unprecedented in terms of pace, the number of measures, and the areas to be solved when compared with those of the past 10 years or so. In the new round of reforms, destabilizing factors will also arise, therefore, the duty for macroeconomic regulation and control in 1994 will be very arduous.

The authoritative department pointed out that macroeconomic regulation and control in 1994 should pay special attention to maintaining price stability and a moderate growth rate.

Price increases are a very important factor affecting social stability. At present, the price level is already high, especially in the domain of residents' daily necessities. In the fourth quarter of last year, a loose monetary policy was implemented, and this led to greater inflationary pressure. Recently, some people have started panic buying of grain, gold ornaments, and household electric appliances, and this shows that people have already become very sensitive to prices. In 1994, after implementing reform of the revenue system and reform of wages in government, party, and business units, a close watch must be kept on the price trend, and the people's sensitivity and fears relating to prices should not be ignored. Other reforms must consider prudent timing to avoid creating an unfavorable impact on markets and residents.

The smooth process of reform needs moderate growth. What is moderate? No more than 10 percent is moderate. In the area of macroeconomic regulation and control, the policy of control over a more appropriate total quantity should be upheld, and the good economic situation should never justify a "great leap forward" in the economy.

To conclude, in 1994, regulation and control over total quantity should continue to use the method of routine, timely, and moderate "slight adjustments" to remove destabilizing factors promptly.

Post-Reform Economic Fluctuations, Part 2

HK0601121594 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 11, 20 Nov 93 pp 3-9, 39

[Article by Fan Gang (2868 4854), Zhang Shuguang (1728 2562 0342), and Wang Limin (3769 0448 3046) of the Economic Research Institute under the Chinese Academy of Social Sciences: "Dual-Track Transition and 'Dual-Track Regulation and Control'—Current Macroeconomic Issues and Countermeasures (Part Two)"—Part One was published under the headline "Post-Reform Economic 'Fluctuations' Analyzed" in the 9 December 1993 China DAILY REPORT pp 25-35]

[Text] 5. 1992-1993: Facing a New Round of Fluctuations

Since the beginning of 1992, China's economic reform and development has jumped to a "new level." However, at the same time, the economy has also swiftly started to move toward overheating. Our aim in looking back at and analyzing past fluctuations is to be better able to understand China's economic structure at present by comparing it with that of the past. We want to see which aspects have seen change and which aspects have not yet seen change, so that we can, in a targeted way, adopt effective policies for macroeconomic stability.

5.1—"Already changed" and "not changed"

First, we should recognize that as compared to 1987-88, our country's economic structure has seen many positive changes: 1) There has been further development of the non-state-owned economy, and such entities now account for over 50 percent of gross industrial output value and GNP. These are economic entities which are oriented toward the market and have strong self-restraint. They thus play a positive role in stabilizing the economy. 2) There has been a further expansion of opening up to the outside, there has been a great increase in investment of foreign funds, imports and exports have been further expanded and price increases have, in many areas (such as steel products and other production materials) already been subject to the restraints of international market prices. 3) All sorts of markets have seen further development. While in some markets, such as the share market, the real estate market, and the securities market, there has been some chaos (especially because of the "speculation using public funds" engaged in in some markets by state-owned and semi-state-owned companies), in the end, however, these still provide more investment avenues and play a role in holding down the expansion of consumer demand and in encouraging the accumulation of capital. All of these aspects have played a stabilizing role in regard to macroeconomic movement.

However, solely on this basis or on the basis of the phenomenon of "market weakness" which appeared during the two previous years of tightening up, holding that China's economic structure has undergone a "basic change," and that there has been a change from "resource constraint" to "demand constraint" (see Guo Shu-qing, 1992) is a bit premature.

China's economic structure has not yet seen basic changes in the following two major areas:

1. The basic structure of the state-owned economic sector has not yet seen change, and the soft budgetary restraints of the local governments and state-owned enterprises and the various operational modes based on these (including the response modes to the many economic "policy variables") have not yet seen basic change.

2. The leading position of the state-owned economy has still not changed. This can be explained through the following two aspects: 1) While the state-owned economy no longer constitutes the majority in terms of output value or national income, the state-owned economy still occupies the dominant position in terms of expenditure and total demand. Here the key question is: When the bank savings from the various economic sectors are transferred into credit, they mainly flow through the state banking system to state-owned economic sectors (at present, it is estimated that this is the case for more than 80 percent of the total), while the credit issued to town and township enterprises only constitutes a very small part. In this way, the operational

sectors, which only constitute a small part of the income structure, through the savings-credit link, come to constitute a large part in the expenditure structure, and particularly investment expenditure. Seen from the situation of enterprise direct financing, the state-owned enterprises have quite weak restraints, and quite great "nerve," and the funds they draw in are naturally quite great. 2) The state-owned economy is mainly centered in national economic lifeblood sectors such as light and heavy industry, energy, and mining. Thus, the guiding role that it plays in the national economy has not changed. 3) Based on the above two points, that which determines the changes in economic fluctuations in our country at present is still the various state-owned economic sectors. Town and township enterprises and the private economy have seen quite high growth rates since 1990. However, as they are mainly centered in consumer product processing industries, commerce, and service industries, they only play a role in maintaining the supply of consumer products, and they cannot spur the revival of the overall economy. Only when the state-owned economy "revives" will the overall economy be gradually enlivened. A prominent point in this is that not only does investment by state-owned sectors still constitutes a large part (over 60 percent) of overall social investment, but the expansion of investment by the state-owned economy (whole-people ownership investment) still plays, as it did in the various previous economic fluctuations, a leading role and a decisive role in overall economic recovery. 4) In financial income, the profits and taxes which derive from state-owned enterprises still constitute the major part. As the financial balance situation plays an extremely important role in the formulation of macroeconomic policies, the operational situation of state-owned economic sectors still plays a decisive role in overall macroeconomic changes. For example, sectors will not dare or are not willing to adopt various policies to restrain the expansion of credit or growth of demand (such as by raising credit interest rates), just so that they can ensure that the profits and taxes handed up by state-owned enterprises do not decline or their losses do not further expand.

5.2—A new round of handing down power and financial chaos

Under the precondition of the "no changes" noted above, since the beginning of 1992, following the further expansion of the autonomy of localities and enterprises, and the intensification of decentralized "competition under soft constraints," elements of economic instability have seen a further increase rather than a reduction. Of these elements, the two "autonomies" noted below have been particularly important in macroeconomic instability and accelerating the pace of economic overheating:

1. Autonomy in terms of examining and approving investment projects has been completely handed down. This has led to a very great increase in investment by localities themselves (for example, some data show that 82.7 percent of newly commenced projects involving

whole-people ownership investment over the period January to May 1992 were local projects). Also, there has been a great increase in fixed-asset investment. Over the period January to May 1993, there was a growth of 70.7 percent over the same period of the previous year in state-owned fixed-asset investment. This is a "high speed" rarely seen previously.

2. "Autonomy in terms of direct financing." This is a very important autonomy which has been obtained by local governments and enterprises, as it enables them to avoid central government measures to control (directly or indirectly) credit and money. They raise funds directly in society by paying interest rates much higher than bank savings deposit interest rates. This results in government money policies losing their effectiveness. In 1992, the total value of various types of negotiable securities on China's securities market was 128 billion yuan. Of these, state bonds were valued at 41 billion yuan, the investment bonds of the various state investment companies under the State Planning Commission totaled 12.7 billion yuan, enterprise bonds totaled 37.9 billion yuan, financial bonds totaled 25.5 billion yuan and shares totaled 10.9 billion yuan. The above-mentioned securities are all quite regular and the amounts issued can be ascertained through statistics. If we add to these the shares issued within enterprises, the raising of funds outside the plans, the sale of urban household registration in order to raise funds and other "nonstandard" securities issues, according to an estimate by the headquarters of the People's Bank of China, the total value would be about 270 billion yuan. At the end of 1992, the outstanding balance of securities monitored by statistics in our country was 410 billion yuan. Seen from the proportion between direct financing and indirect financing, excluding the 25.5 billion yuan of financial bonds, in 1992 the total volume of direct financing throughout our country was 194.5 billion yuan. This was equivalent to 54.6 percent of the increase in state bank credit in that year (356.3 billion yuan). It was also equivalent to 46 percent of the increase in credit issued by financial organs (including state banks, credit and investment organs and urban and rural credit cooperatives) throughout the country in that year (422.8 billion yuan). The proportion of the year's newly increased total financing constituted by newly increased direct financing rose from 12 percent in 1991 to 31.5 percent in 1992. This means that changes have occurred in the mechanism for transforming our country's savings into investment. However, it also shows that the effectiveness of some of the current macroeconomic money regulation and control measures is being further weakened. (For the various data noted above, see Xie Ping, 1993)

The handing down of such autonomy clearly exacerbates the "competition under soft constraints" under the decentralized state-owned economy and increases economic instability. It is thus inevitably linked with chaos in the financial sphere. Our economy has, since the beginning of 1992, not only entered a new round of

fluctuation basically the same as those in the past, but has also entered a new round of high-speed growth which is faster than that in the past. The fact that the economy has, even more quickly, seen the appearance of "overheating" illustrates this point very clearly.

The current question is which policies the government should adopt in order to counteract this instability so as to ensure that the degree of fluctuation is the smallest possible.

6. The Current Countermeasure Thinking for Macroeconomic Stability: 'Dual-Track Regulation and Control'

On the basis of the analysis above of the economic fluctuations in the eighties and the effectiveness of the various macroeconomic stability (retrenchment) policies, and in accordance with the analysis above of the current economic structural situation and the structural causes for the new round of high-speed economic growth, we can put forward the following lines of thought on countermeasures.

6.1—Gradual reform and macroeconomic regulation and control

In the current process of choosing policies for macroeconomic stability, we have to first clarify the following major issues: First, at present, the issues we need to clarify, especially on the level of understanding, are: 1) The effectiveness of different macroeconomic regulatory and control policies depends on different economic structural conditions, especially on the "microeconomic base" of the economy. 2) We must develop a market economy, but our current economic structure is still not a market economy, while the "microeconomic base" of macroeconomic operation is far from the "microeconomic base" of a market economy. Thus, many macroeconomic stability policies which are effective under market economy conditions are, under current structural conditions, actually unable to play an effective role. This is prominently manifested by the fact that the state-owned economic sectors, which are still to a large degree dependent for their operation on administrative links at present, can only be restrained through the use of administrative measures, and in a situation where localities and enterprises still lack internal self-restraint mechanisms, it is still necessary to retain a certain amount of external restraint. Each economic structure has its own special logic, and this cannot be violated. At present, we want to put great effort into developing a market economy structure. However, this mainly requires that we put effort into structural reform, and especially into transforming the economic base of the economy (this we will analyze below). It does not mean that at present we can completely change the "policies" and "measures" by which the economy is managed. If, at present, we blindly use market economy macroeconomic policies, which have not yet seen obvious results, to manage our

economy, it will not really be beneficial to the development of the economy and will not be a real act of "marketization."

Second, structural reform is a process which requires quite a long period of time to see results, while macroeconomic regulation and control is a near-term problem of "overall demand management." The two must not be confused. Thus, the claim that "through deepening reform, we can achieve macroeconomic stability at present" is an idea which may sound correct, but is not. Reform must be intensified, and this is particularly so at present. However, prior to the completion of the reforms, we still face the problem of how, under the current set structural conditions, we are to carry out macroeconomic regulation and control. The correct statement is that "through deepening reform, we can achieve long-term economic stability."

Third, although our economy is not yet a complete market economy, it is no longer completely a planned economy. Rather, it is in a changeover stage as it makes the transition from the old structure to the new structure. Its basic characteristic is a "structural dual track." China has adopted a "gradual" mode for its reforms. The basic characteristic of this mode of structural change is: It does not suddenly destroy the vested interests formed under the old structure. Rather, in the early period of reform, it appropriately maintains the vested interests, so as to reduce the social obstructions faced by the reforms. Thus, the overall process of economic reform does not involve first destroying the old structure, but rather involves first developing new structural components at the "side" or in the "cracks" of the old structure. Following the development of the new structural components, and the expansion of the proportions which they constitute in the overall economy, there will be gradual deepening of the transformation of the old structure.

This mode of reform will naturally mean that the process of reform is characterized by "dual-track transition." That is to say, for quite a long period there will be a situation where the new and the old systems and the two types of economic components coexist. The new structure will have been partially formed, but the old structure will continue to exist and its absolute scale may even continue to grow. The two types of structures will continue to play roles in the economy, but after a certain period of transition, the change from the old structure to the new structure will be completed for the overall economy. The "dual-track transition" can be said to be the basic form of the "gradual mode of reform." Here, "dual-track transition" not only refers to a "dual-track pricing system," but also means "dual-track property rights" and many other types of specific dual-track structures. We can see that during the process of our country's economic structural reforms, in every sphere there will exist this "dual-track transition" form.

When components from the different types of structures coexist in the same economy, it is inevitable that there

will be mutual restraints and that they will play a role regarding each other. Also, the activity mode of each will inevitably affect the other. However, as the basic operational mechanisms of the two structures are different and, in the end, they differ in terms of their activity modes, their reactions when facing the same kinds of economic changes, government policies and external pummeling will also be different. This then produces the macroeconomic management level question of how to adopt different policy measures to carry out regulation and control in respect of the different economic components. Thus, during the period of structural transition, the realization of an appropriate structural dual track clearly requires that the macroeconomic regulation and control measures are themselves also "dual-track." By using only one method, it will not be possible to achieve the hoped-for results. This is prominently manifested in the fact that actually, at present, we do not have any macroeconomic regulatory and control measures, either direct or indirect, "market-driven" or "administrative," "monetary" or "planning" measures, which can very effectively carry out regulation and control of the overall economy. However, on the other hand, none of the current regulatory and control measures are completely useless. They all have a role to play to a certain degree and over a certain range. This requires that we "comprehensively" utilize the various types of measures, so that we can carry out "comprehensive regulation and control" of the economy. (Fan Gang, 1992)

6.2—"Dual-track regulation and control"

"Comprehensive regulation and control" will, during the period of "dual-track transition," be specifically manifested as "dual-track regulation and control." The basic line of thinking on this is as follows.

On the one hand, in respect of the non-state-owned economy, it means using indirect regulatory and control policies which have already begun to show a certain effect, such as monetary policies and taxation policies. In particular, we must strengthen the use of interest rates. Even though the state-owned economic sectors will not at present be sensitive to this, we already have a quite large non-state-owned economy which is quite sensitive to interest rates (when other conditions remain the same, personal savings always react to interest rates), and the other types of indirect regulatory and control policies have also already shown themselves to be quite effective in these areas.

In another respect, in regulating and controlling the state-owned economic sectors which are at present still maintained through reliance on administrative links, we should continue to use direct administrative control measures to a certain degree. In particular we must, in a timely way, directly control investment activities and consumption of public funds. In the analysis above, we have already seen that at present, only direct measures are effective measures for controlling the scale of final demand in a decentralized state-ownership economy. At

the same time, we should appropriately strengthen management and control over the issue of securities and direct financing by local governments and state-owned enterprises. (There is no need to excessively intervene in the direct financing activities of non-state-owned enterprises. It is only necessary to strengthen the establishment and implementation of regulations.) The basic line of thinking is that in respect of economic activity principals which have not yet formed internal self-restraint mechanisms, we must maintain necessary external restraints.

At the same time, we should not implement excessively tight regulatory and control measures in respect of credit. Under current structural conditions, if we implement excessively tight credit controls (reducing the scale of planned credit), it will basically be a uniform administrative control on financing, and that may produce a quite strong "counter-choice" reaction—a reaction whereby credit which should be blocked is not really subject to much restraint, while that which should not be stopped is the first to bear the brunt of the measures. For example, as soon as there is excessive tightening up on funds, the state-owned enterprises which do not have good results or which incur losses can still use new credit to maintain their existence. However, profitable enterprises with deposits fall into difficulties when funds are blocked, and they are unable to even draw on their own funds. Thus, their potential cannot be brought into play. The non-state-owned enterprises which originally had difficulty obtaining credit find it even more difficult to obtain funds, their development is restricted, and so on.

In the process of marketization, we need not feel a "taboo" about continuing to use "administrative measures" for direct control. However, we must particularly ensure that we do not implement "uniform"-type administrative controls over the entire economy. More importantly, we should not implement administrative management over the non-state-owned economy. Seen from the relationship between macroeconomic regulation and control and the marketization reforms, a major advantage of "dual-track regulation and control" is that it manages that which should be managed and only regulates that which should be freed. It does not manage these two things together. This is beneficial to having the overall economy make the transition toward the "single-track" of the market economy, and finally abandoning administrative measures. Doing things in this way is actually beneficial rather than disadvantageous to the development of the market economy.

6.3—"Retaining some things and discarding others": How to develop the market mechanism in the current process of readjusting financial order

The aim of "dual-track regulation and control" is not to maintain the existing economic structure and the administrative measures for intervening in the economy. Rather, it is intended for better making the transition to the market economy. Thus, during the period of transition, in the process of carrying out "dual-track regulation

and control" of the economy, it is very important that we should clarify what we should give up and what we should put great efforts into developing.

In the early period, the main problem in macroeconomic stability will be chaos in the financial market, and there is a need to engage in readjustment, including the use of administrative measures to implement necessary restraints. However, in the process of readjusting the financial market, it is also necessary to avoid the practice of "implementing in a uniform way." Rather, we should "retain some things and give up others." Specifically, there are problems in two areas to which we should pay attention:

First, we should avoid the complete abolition of the "secondary funds market." For example, at the same time as handling the problem of inter-borrowing of funds, we should consider how to better develop a funds market. A major element by which the reform of our country's financial structure lags behind the reforms in other spheres is that we have not, in a timely way, implemented in the financial sector a "dual-track interest rate system" which is in accord with the law and which is subject to state supervision and management. Interest rates are the price of funds use. Over the last few years, in our country's product markets, many prices have, after making the transition through a long period of the "dual-track system," been gradually freed, and the reform of marketization has been realized. However, in respect of interest rates, it is still the case that the state sets the prices. The result of this is not that we have not seen the appearance of "dual-track pricing," but rather that we have not seen clearly priced "dual-track pricing" which is "in accordance with the law," which is subject to state management, and from which the interest income goes to the state rather than into the pockets of private individuals. What have appeared are "black markets" and "gray markets" for funds, as well as "official speculation in funds" and "financial corruption." Thus, here there actually exists the problem of how to squarely face the objective laws of the development of things and intensify "price reform" in the funds market. Over the last few years, in the financial sector, the area in which regulation through market mechanism has played a major role has been inter-borrowing funds. The inter-borrowing funds market is actually to a certain degree equivalent to the development of a nonstandardized funds market which is not subject to management, and is outside the traditional credit system in which interest rates are difficult to change and credit is subject to planning controls. To a certain degree, this forms another price for credit funds. At present, many non-state-owned companies and enterprises find it difficult to obtain credit under the state credit plans, and thus they can only obtain their funds through various forms of "inter-borrowing." In this sphere, because many things are "not in accordance with the law" and there is a lack of effective supervision, there exists great chaos. For example, a large part of interest rate differentials flows into the pockets of individuals. A large part of

inter-borrowing funds is used by some state-owned or semi-state-owned financial and real estate companies, which have special links with banks, to invest in the securities and real estate markets. However, in the final analysis, through this avenue some funds are deployed by the market to production sectors where interest rates are quite high. Thus, at present, on the one hand we must readjust the funds market, so as to stop illegal inter-borrowing, and "uncouple" some companies from banks, while on the other hand we have to consider how to develop an "interest rate dual-track system" which accords with the law and is subject to supervision and management. We must not simply recover the "inter-borrowing funds," again institute firm and unchanging interest rates, and forcibly return to the "single planning track" which has been proved by practice to be ineffective and not feasible. If we continue to institute unitary "planned interest rates," and the rates never float, the result will inevitably be the re-emergence of "gray markets" and corruption. As compared to this, it would be better to first let the interest rates for some funds "legitimately" move in accordance with market prices, and appropriately allow some bank funds to be loaned out "beyond the plans" at market interest rates. This would be like when we initially allowed enterprises to have the prices of some of their products set by the market, and they were free to sell them at those prices. This will not only be beneficial to the effective use of funds, and beneficial to the reform of the financial system, but will also be beneficial to the development of the non-state-owned economy. Having credit funds subject to unified central control and managing them very tightly will not injure the state-owned enterprises. They are always "guaranteed funds come rain or shine." The ones to feel the brunt of such measures will certainly be the various types of non-state-owned economy operations. Even initially they had a hard time getting anything from the "credit plans" basket. If the financing avenues outside the plans are abolished, their development will certainly suffer seriously. This will be very disadvantageous to the growth and development of our country's market economy mechanism and to the sustained development of the overall economy (the development of the market economy and economic growth over the last 10-plus years have mainly depended on the development of various forms of non-state-owned economy operations).

Second, in the process of readjusting the financial market, we should strengthen management over non-state-owned, nongovernment financial organs (cooperative and shareholding-type credit organizations and banks, as well as private banks). However, we should not restrict their development. On the contrary, in order to further develop the market economy, we should adopt more open policies, and allow and encourage the development of non-state-owned financial organs. In the view of the authors, in terms of the process of reform of the financial structure, an aspect which is lagging behind at present is the development of non-state-owned, nongovernment financial organs. Up to now, the measures

adopted have been to restrict rather than to encourage nongovernment financial organs. Thus, while, in the overall economy, the national income created by the various forms of non-state-owned economic entities has already reached 50 percent of gross national income, in financial activities, the proportion constituted by nongovernment financial organs is still very small, and the figure is not commensurate with the development of the overall non-state-owned economy. A major excuse given for restricting the development of nongovernment financial organs is that these financial organs will "cause chaos to normal financial order." The problem, however, lies in what is meant by "normal financial order." In the financial sphere, the most basic and most important order is "requiring repayment of monies borrowed." It is on this point, we are afraid, that the nongovernment financial organs are the greatest respecters of "normal order." It is difficult to imagine a nongovernment bank continually approving loans to an enterprise which is a heavy loss-maker and which fails to repay repeated loans. Is it not on this point that our state-owned banks are those with the greatest disrespect for "normal order"? The problems are which order do we want to maintain? Do we want to establish a new order which is in accord with the patterns of the market economy?

Developing nongovernment financial organs does not mean that we should abandon management of financial order by the government and the state-owned central bank. On the contrary, the development of the nongovernment financial organs will be of benefit in strengthening such management and making it more effective. In fact, the central bank has great difficulty in implementing effective management of the various state-owned commercial banks. The reason for this lies in the fact that the central bank and state-owned commercial banks, like state-owned enterprises and the various levels of local government, are all state-owned, and none of them can say to the others that they alone "have authority." They all have a thousand ways in which to "finance" their needs. However, the central bank, representing the state, can exercise management over nongovernment financial organs. This is relatively easier and more effective, the interests of the two sides are clearly demarcated, and the monetary regulation and control measures of the central bank will be more authoritarian. In market economy countries around the world, it is the central bank which controls non-state-owned commercial banks, and the effectiveness of government monetary policies is built on this basis. Why do we consider that allowing the development of nongovernment financial organs will result in great chaos? In the early period of the development of nongovernment financial organs, because of the supersession of the old system by the new, it will be difficult to avoid some confusion, but through perfecting laws and strengthening management it will be possible to ensure that the new structure and the new order are gradually established. However, if we do not allow the development of nongovernment financial organs, it will not be possible to establish a new order

and it will not be possible for the government to gradually learn through practice how to manage nongovernment financial organs. This will result in our always lagging behind in financial structure reform. In the early period of the development of our non-state-owned production enterprises, there were also many problems, leading to many people accusing them of harming "normal economic order." However, what they were actually doing was playing an important and positive role in breaking down the old traditional planning structure and order, in establishing a new market economy structure and order, and in accelerating economic development.

The basic experiences of our reforms of gradual marketization over the last 10-plus years have involved: 1) Using a "dual-track pricing system" to break down and gradually replace the old planning structure; 2) through developing the non-state-owned economy, changing the property rights structure of the overall economy, forming more market activity principals, and, through a "structural dual track," making the transition to a market economy. The reason our market economy has been able to take embryonic form and the reason our economy has been able to maintain a growth momentum during the reforms is that we have relied on these two aspects. In the current process of deepening the reform of the financial structure, we cannot forget these two precious experiences of our "gradual mode of reform."

6.4—The basic route for achieving long-term stability: Speeding the pace of property rights reform

As far as long-term stability is concerned, we not only must actively carry out reform of the banking structure, the financial structure and the macroeconomic management system, but also need to step up and deepen reform in other aspects. In particular, we need to intensify reform in terms of property rights relations in the state-owned economy. The 15-year history of our reform and opening up has shown that as far as the state-owned economy is concerned, purely "handing down power and allowing retention of profits," while not carrying out reform of ownership relations, cannot resolve the problem of macroeconomic stability. Our current economic instability is, to a great degree, due to the "handing down of power and allowing retention of profits" in a situation where there has been no reform of ownership relations in the state ownership economy. The result is that localities and enterprises have the "right" to seek their own interests, but there is still no one who will take real responsibility for capital losses, the "budgetary restraints" have still not been "firmed," and the relationship between the government and enterprises has not seen any essential change. The so-called "sluggishness in financial reform" is actually due to the sluggishness of property rights reform in the state-owned economy, which in turn "drags back" financial reform. The situations in various respects show that we have already reached the stage where we have to accelerate reform centered on property rights. Reform of property rights relationships has become a pressing issue.

Some property rights reform measures which are feasible and where we should begin at present include: Clarifying the specific ownership representatives or ownership principals for state-owned assets (including land); through legislation, clearly setting down the scope and volume of state-owned assets; and appropriately defining and distinguishing central ownership rights and local ownership rights. After this, we should widely promote the "company corporatization" of state-owned enterprises and, in the majority of state-run enterprises, implement a system by which state assets are converted into shares, so as to turn them into limited liability companies (not necessarily "listed companies"). Through this mode, we will be able to clearly define and quantify the property rights relationships of state-owned enterprises. Thereby, we will ensure that property rights in respect of state-owned assets are quantified property rights which can be divided, which can be traded and which can be transferred. This will create beneficial conditions for the further stable reform of ownership relations in future in accordance with the demands of the market economy and in accordance with the demands of efficiency standards. The property rights relations of the state-owned economy need to be reformed, while within the non-state-owned economy there also exist problems such as property rights not being protected, property rights not being clear and so on. These problems also need to be resolved through reform. In this aspect at present, we should set about the following work: Protecting property rights and encouraging various types of private investment, so that the various types of non-state-owned economic entities see more healthy and more stable development, so as to reduce the extravagant consumption and the large-scale outflow of national capital which have already appeared, and so as to speed the accumulation of social capital. In town and township enterprises and the various types of cooperative and collective economy operations at present, there exists in very many cases the problem of property rights relationships not being clear, and this has already affected the development of the economy and the accumulation of capital. Thus, we should speed the reform of property rights. The main route at present is through promoting, in the collective economy, the "shareholding cooperative system" which has emerged in practice, to ensure that the collective property rights of the past, which previously could not be divided and could not be traded, become divisible and capable of being traded.

Theoretical analysis and practical experiences have both proved that if we do not start out with reform of basic economic relationships, and do not reform the activity modes of state-owned enterprises and local governments, so as to form market economy mechanisms, we will never be able to break free from the cycle in which "relaxation gives rise to chaos and taking back power results in stagnation," those indirect regulatory measures which have proved effective in market economies will never be adopted in our economy, and we will never achieve the hoped-for results. **Reference Materials:**

- Chen Yue [7115 6390], 1988: "Research on Cyclicity in the Chinese Economy," in "China's Macroeconomic Structure and Countermeasures," chief editor Zheng Fengbo [1728 7364 3134], China Financial and Economic Publishing House. Fan Gang [2868 4854], 1992: "The Current Macroeconomic Situation and Macroeconomic Regulatory and Control Measures," JINRONG YANJIU, 1992, No. 9.
- Fan Gang (main author), Zhang Shuguang [1728 2562 0342], 1990: "An Outline of Public Ownership Macroeconomic Theory," Shanghai Joint Publishing. Fan Gang and Wing Thye Woo, 1992: "Decentralized Socialism and Macro-Stability, Lessons from China," Working Paper No. 411, Economics Department, University of California at Davis, September 1992.
- Gelb, Alan, Gary Jefferson, and Inderjit Singh, 1993: "The Chinese and East European Routes to Reform," manuscript, NBER [expansion unknown] Eighth Annual Macroeconomics Conference, April 1993.
- Guo Shuqing [6753 2885 3237], 1992: "Total Demand, Total Supply—From Concept to Reality," JINGJI YANJIU 1992, No. 3.
- Kornai, Janos, 1990: "The Road to a Free Economy, Shifting from a Socialist System: The Example of Hungary," New York, W.W. Norton and Company.
- Ma Jiantang [7546 1696 1016], 1990: "Cyclical Fluctuations and Structural Change," Hunan Educational Publishing House.
- Liu Shucheng [0491 2885 2052], 1989: "The Cyclical Fluctuations of the Chinese Economy," China Economy Publishing House.
- Li Yang [2621 2254], 1992: "The Readjustment of Functional Distribution of Income: Thoughts on the Phenomenon of Slanting National Income Distribution Toward Individuals," JINGJI YANJIU 1992, No. 7.
- Li, David, 1992: "Public Ownership as a Sufficient Condition for the Soft Budget Constraint," manuscript, University of Michigan.
- Lipton, D. and Sachs, J., 1990: "Creating a Market Economy in East Europe, the case of Poland," Brookings Institution Papers on Economic Activity, No. 1. Lu Jian [4151 1696], 1992: "Positivist Research of China's Economic Cycles," China Financial and Economic Publishing House.
- Oi, Jean, 1991: "The Shifting Balance of Power in Central-Local Relations: Local Government Response to Fiscal Austerity in Rural China," Manuscript.
- McKinnon, Ronald I., 1993: "Financial Growth and Macroeconomic Stability in China 1978-1992: Implications for Russia and Eastern Europe," Manuscript.
- Sicular, Terry, 1992: "Public Finance and China's Economic Reform," Discussion Paper No. 1619, Harvard Institute of Economic Research.
- Tang Mingfeng [0781 2494 1496] and Li Wenshun [2621 2429 7311], 1992: "Investment: Proposals on Situational Analysis and Management," JINGJI CANKAO BAO, 31 Aug 1992.
- Tang Zongkun [0781 1350 3450], 1992: "State-Owned Enterprise Profit Transfer and Enterprises' Reproduction Capacity," JINGJI YANJIU, 1992, No. 7.
- Wing Thye Woo, 1993: "The Art of Reforming Centrally Planned Economies: Comparing China, Poland and Russia," 1993, Manuscript, University of California, Davis.
- Xie Ping [6200 1627], 1993: "Macro-Level Financial Regulation and Control During the Transition to a Market Economy," Working Paper.
- Zhao Renwei [6392 0086 0251], 1989: "The Materialization of Income During the Process of Reform," JINGJI YANJIU, 1989, No. 4.
- Zhong Pengrong [6988 2590 2837], 1990: "A Study of Inflation," Jiangxi People's Publishing House.
- Zhong Pengrong, Wu Tonghu [0702 0681 56706], 1990: "Macroeconomic Theory," Economic Science Publishing House. Zhou Xiaohan [0719 2556 1383] 1990: "An Initial Analysis of the Implementation of Monetary Policies in 1989," JINRONG YANJIU, 1990, No. 7.
- Zou Heng-fu, 1991: "Socialist Economic Growth and Political Investment Cycles," EUROPEAN JOURNAL OF POLITICAL ECONOMY, Volume 7 (1991) pp 141-157. **Statistical Data:**
- "Statistical Data for China's Fixed Assets Investment" for respective years, edited by the Fixed Assets Investment Statistical Office under the State Statistical Bureau, published by China Statistical Publishing House.
- Statistical Yearbook of China* for respective years, edited by State Statistical Bureau, published by China Statistical Publishing House.
- Financial Yearbook of China*, for respective years, edited by Financial Association of China, published by Financial Yearbook of China Editorial Department.
- China's Industrial Economics Statistical Data*, published by China Statistical Publishing House.
- "China's Financial Administration Statistics," published by China Financial and Economic Publishing House, 1989.

Article on Establishing Competitive Market*HK1101103694 Beijing RENMIN RIBAO in Chinese 7 Jan 94 pp 1, 4*

[By Ren Zhongping (0117 0112 1627): "Establish a Large, Unified, Open, Competitive, and Orderly Market"]

[Text] The Third Plenary Session of the 14th CPC Central Committee has set forth the grand objective of initially establishing a socialist market economic system by the turn of the century. According to the decision adopted by the session, an important and pressing basic task before us is to make strenuous efforts to establish a large, unified, open, competitive, and orderly market [tong yi kai tang jing zheng you xu da shi cheng 4827 0001 7030 2397 4552 3630 2589 1645 1129 1579 1034].

A market system is the core of the market economic system and the base where the role of the market mechanism can be brought into play. Without a perfect market for commodities and essential factors, the basic role of resources distributed by the market will be out of the question. What kind of a market do we intend to establish? To make it simple, it should have the following features: Unified and not decentralized, open and not closed, competitive and not monopolized, and orderly and not confused.

Unified, open, competitive, and orderly are the essential requirements of a market economy. Openness is the premise of economic activities, competitiveness is the source of economic efficiency, and rules are the guarantee for economic order. Only when the market is unified, open, competitive, and orderly can the role of the market mechanism be brought into play, can the optimized distribution of resources be ensured, and can vitality and efficiency of the economy be maintained.

Since reform and opening up, China's commodity market has developed rapidly, the market for essential factors has been nurtured, and the role of the market mechanism has been brought into play in certain fields. However, we should admit that China's market system is still at the initial stage, which cannot meet the needs of the rapidly developing economy and which has restrained the national economy as a whole like a bottle neck. For this reason, it is necessary to accelerate the pace of market building. The following three outstanding problems should be resolved at present: Market decentralization, market monopoly, and confused market order.

I.

Market decentralization refers mainly to barriers erected between regions. Some localities proceed from their partial interests, restrict the activities of neighbors, practice local protectionism, and limit the flow of commodities and resources. When there is a short supply of a certain commodity or resource, they try to restrict its

outflow. When a certain local commodity is unmarketable, they restrict the inflow of fine quality commodities from other localities. The artificial barriers hinder the flow of commodities and the establishment of a unified market nationwide.

From a short-term point of view, the barriers may protect the interests of a certain locality and its enterprises. From a long-term point of view, however, it will harm the interests of that locality and its enterprises because such protectionism runs counter to market rules, rejects competition, and plays a negative role of protecting backwardness. A child cannot grow up in its mother's bosom and an enterprise which has not withstood storms will not be competitiveness. The establishment of a unified market is the trend of the times. The sooner we open up, the sooner we will benefit. Otherwise, we will suffer. This has been proved by the practice of many localities. In establishing a unified market, besides removing barriers erected between the regions within the country, it is also necessary to make preparations to connect our market with that of the world. When China's status as signatory of GATT is resumed, we will further open our market to the outside world. Only by taking part in competition in the market without barriers as early as possible can enterprises adapt themselves to the storms in the domestic and international market.

The removal of barriers erected between regions does not mean that we do not want to develop regional markets. The development of regional markets is not equivalent to erecting barriers. A regional market is formed by the natural technical features of commodities, regional production, and consumption rather than by administrative and artificial barriers. We should develop such a regional market, which will become a component part of the unified national market. In market building, the establishment of some regional markets in light of administrative divisions is a normal phenomenon. As long as we do not make such a market inflexible, it will conform to economic laws and converge with a unified national market.

The key to breaking through regional barriers and establishing a unified and open market lies in deepened reform. On the one hand, acceleration of reform of the financial and taxation system, implementation of a separate taxation system, and transformation of the financial contract system can weaken the foundation of interests of local protectionism, which will help remove market barriers. On the other hand, acceleration of enterprise reform, establishment of the enterprise bankruptcy system and a social insurance system, and invigoration of enterprise competitiveness in the market can alleviate the pressure of the government in undertaking "protection" responsibility. Naturally, the state must also adopt legislative means to ensure that the market is open and to stop the practice of erecting barriers.

II.

Market monopoly refers mainly to monopoly by departments and trades, monopoly by a unitary state economy,

and monopoly related to some outdated policies. Since reform, the structure of China's departmental monopoly and of the public economic sector unifying the whole country has been smashed. Other economic sectors are now allowed to enter a number of fields and nonpublic sectors are allowed to take part in economic development and competition, which have enormously invigorated these fields. Nevertheless, there are still some competitive fields which are monopolized by some departments and nonpublic enterprises are still restricted from operation in some fields. It will be impossible to ensure fair competition if there is inequality in fields where certain nonpublic enterprises are allowed to enter. Moreover, to encourage some enterprises to explore reform experience, the state offered some preferential policies during the initial period of reform which were absolutely necessary and which played an enormous role in promoting reform and economic development. When the reform measures are popularized, however, the continued retention of the "preferential policies" for certain enterprises will be unfair to the vast number of other enterprises. As such a "monopoly which is related to policy" does not conform to the establishment of a market which encourages fair competition, it should be removed in the course of deepened reform.

The greatest harm of market monopoly is that it rejects competition, which hinders nurturing of the market, reduces economic efficiency, and gives rise to disorder and corruption. In the course of the transition from a highly centralized planned economy to a market economy, the most important and arduous task is to smash monopolies. Naturally, while the state must exercise a monopoly over a small number of special commodities which are related to the lifelines of the national economy, restrictions on other departments and economic sectors should be lifted and they should be allowed to take part in competition and promote development. Even in the trades where a state monopoly is essential, it is necessary to introduce a competition mechanism, carry out competition between enterprises, and increase efficiency. In order to better implement the policy of coexistence of various economic sectors based on the predominance of the public sector and encourage the normal growth of nonpublic sectors, it is necessary to effect a shift from the basis of ownership to industrial needs in formulating policies, abolish discriminative and restrictive policies, gradually recall special preferential policies offered to certain enterprises during a specified period, abolish monopoly policies, and ensure fair competition. In order to weaken and eventually remove the powers of resource distribution of certain government departments, it is necessary to increase the scope of government reform and change the functions of government organs so they can shift from microeconomic activities to comprehensive management and delegate powers to the market and enterprises. The state should also formulate anti-monopoly laws and protect competition. Some comrades are worried that the lifting of restrictions on the market and elimination of the

monopoly of the public economic sector will shake the position of socialist public ownership. The predominance of socialist public ownership should be manifested in the national economy and control over the lifelines of the national economy rather than the superiority in the quantity of state enterprises or the undertaking of all trades and professions by state enterprises. Only by eliminating monopoly and encouraging the common development of various economic sectors can we arouse the enthusiasm of all fields to resolve the difficulties of capital shortages in China's construction and promote economic prosperity. Although the individual and private economic sectors have developed rapidly in recent years, they are still insufficient. The output value of the individual and private enterprises in China accounted for only 4.1 percent of the country's total industrial output value in 1992. Therefore, there is still a wide scope for their development.

Competition requires a certain scale. In other words, there must be a considerable number of enterprises in each trade. Only when there is a large scale of competition can we have full competition and give play to its role. In China, which has a vast territory, large population, and huge market, it will be impossible to meet market needs without competition of scale. Competition is also conducive to economy of scale because we can allow the best to survive through competition, merge enterprises and concentrate assets, and form an economy of scale. Such economy of scale will be the result of competition on equal footing. As it is not "a plate of assorted dishes pieced together" by force, which rejects competition, it will inevitably turn out genuine efficiency of scale.

III.

The confused market order at present has attracted public attention. The chaotic phenomena of counterfeit goods, short measures, false advertisements, illegal pooling of funds, tax evasion, and smuggling have disrupted normal market order, given rise to corruption, and harmed the interests of enterprises and the masses. A special feature of the chaotic phenomena is not keeping promises, not observing to rules, and defying laws and discipline. Some people say that this is the result of a market economy, which is a complete misunderstanding of the market economy. A market economy is not an economy without order. A market economy is an economy which adheres to rules and the legal system. In the course of a market economy, the market body is diversified, economic policy decisions are decentralized, and economic connections are complicated. To ensure effective operation and fair and full competition of the economy, it is necessary to strictly establish market rules and effectively maintain market order. The practice of many developed nations has proved this point. They have used a mature market economy to overcome the initial deficiencies of a commodity economy.

The establishment of a socialist market economic system is an unprecedented cause. The occurrence of the chaotic

phenomena will be unavoidable in a change of the system from the old to the new. The substitution of a new system for the old one and the frictions between the two will inevitably result in management loopholes, a vacuum in regulations, lax discipline, and misbehavior. As the chaotic phenomenon is due to insufficient rather than excessive development of the market economy, the problem can be fundamentally resolved only through accelerating reform and expediting market growth. He who carries out full competition by following the principle of fairness, honesty, and trustworthiness is the most effective defender of a market order. The abolition of market monopoly, barriers, and inappropriate means of competition will fully develop competition and exert great market pressure on enterprises. Enterprises will have internal binding force by speeding up the reform of the enterprise system and genuinely developing a mechanism of assuming sole responsibility for profits and losses. The establishment of market rules, strengthening of market management, and enhancement of a sense of trustworthiness, contract, and law will plug loopholes and further restrain enterprise behavior and standardize market order.

Concrete analysis should be made of the chaotic phenomena. It is necessary to resolutely resist the chaotic phenomena as they run counter to the basic rules of a market economy. Some phenomena are regarded as "disorder" from the traditional planned economic viewpoint, but economic vitality and the bud of a new system from a market economic viewpoint, which should be vigorously supported and not contained. Although some phenomena are related to "chaos," they are caused by market stagnation, reflecting the needs of accelerating market development, which must be standardized and guided rather than simply negated. For example, the chaotic phenomenon of illegal lending which took place in the financial field was a reflection of the capital market stagnation, which can only be effectively resolved by vigorously enhancing the building of the capital market. In short, we should learn how to apply the method of a market economy to curb the chaos and introduce reforms rather than restriction for the chaotic phenomena. With the checking of the chaotic phenomena as the opportunity, we should accelerate the pace of reform, smash the vicious cycle of "opening up resulting in chaos, chaos in restriction, and restriction in rigidity," and enter a new realm of orderly development. Market oriented reform has boosted the economy and improved the people's living standards. China's economy has never been so vigorous and the market has never been so prosperous as the one today. Despite the chaos amid vitality, vitality is essential. We may say that the chaotic phenomenon is the price paid for reform and development and that there can be no success without a price. With the spirit of holding ourselves highly responsible to the people, we should work conscientiously, be bold as well as prudent, and try to exchange the greatest success for the least price.

As this year is a crucial one for implementing the decision of the Third Plenary Session of the 14th CPC

Central Committee, we should be determined to make strenuous efforts to promote reform in a down-to-earth manner; earnestly resolve the problems of market barriers, monopoly, and chaos; remove obstacles in market building; and push the market forward in a unified, open, competitive, and orderly direction.

Government 'Cautious' Regarding Futures Markets

OW1201155494 Beijing XINHUA in English 1355
GMT 12 Jan 94

[By Li Zhurun and Ni Siyi]

[Text] Beijing, January 12 (XINHUA)—The Chinese Government will be "cautious" on futures markets despite an expected rise in futures trading this year, officials and experts say.

The current policy calls for "positive but cautious development of futures trading," said Gao Shangquan, head of a governmental research institution on economic reform.

To achieve the purpose, he said, the State Council will launch a number of pilot projects on futures trading while striving to improve the relevant legislation and supervision mechanisms.

"The approach is to dig a 'canal' first and then divert water into it, instead of letting it overflow," added Gao, who was formerly a vice-minister of the State Commission on Economic Restructuring.

State-imposed prices are being canceled as part of China's market-oriented economic reform, "prompting enterprises to safeguard the value of their products by engaging in futures trading," Gao said.

Profit returns from futures trading, usually high, may also help increase its business volume, he added.

However, he said, futures trading involves high risk and is still in the initial stage of development in China. "Neither the country's conditions nor the actual demand allow an immediate boom of the business.

"Laws and government decrees on futures trading will be published only after repeated experiments under the State Council," said Gao, now a senior researcher with the commission.

"Even in the future, futures trading should be handled with care," he said.

Gao said that government officials and experts are drafting a set of provisional regulations concerning futures trading and planning the establishment of official bodies to administer the futures markets.

Meanwhile, China's first futures law is being formulated, he said.

Gao said that "tight control" is being imposed over entry of funds from Taiwan, Hong Kong and Macao and

foreign countries into futures markets on the Chinese mainland. And the government also advises Chinese citizens to be "cautious" in international futures trading.

But Gao said that participation in the world futures market is the ultimate goal of China. "The problem is that China has yet to meet some of the basic requirements for taking part in international futures trading," he said.

In 1990, Zhengzhou in central China established the country's first grain and edible oil trading market. The country now has 38 commodity exchanges and wholesale markets, dealing with petroleum, iron, steel and chemicals as well as food. There are also some 200 registered futures trading companies.

"The progress has been rapid, but problems are many," Gao said, noting that the government has had to close down what he called "underground companies"—"companies" unlicensed and failing to qualify for futures trading.

In a nationwide futures craze in 1993, some got quick money but many went bankrupt overnight, Gao said.

Some profiteering merchants from outside the Chinese mainland also took advantage of the confusion to drain off China's revenue, Gao said.

Telecommunications Minister on Improvements

OW1201132894 Beijing XINHUA in English 1241
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—Growth of China's posts and telecommunications industry saw a growth rate as high as 58.9 percent in 1993, surpassing that of the whole national economy for the ninth successive year.

Wu Jichuan, minister of posts and telecommunications, announced here today in a national telephone conference that the major economic data of the industry and telecommunications capacity have set new records in the past year.

Newly-increased long distance telecommunications lines reached 200,000, nearing the total capacity constructed in the years before 1992; telephone switch capacity increased an all-time-high 12.86 million lines, bringing the national capacity of urban and rural telephone network to more than 40 million lines.

Wu said that in 1993 the industry's investment in fixed assets hit 40 billion yuan, 2.5 times the sum of 1992.

In constructing postal facilities, major attention was paid to speedy transportation networks, with two trunk lines for postal container trucks opened; the first batch imported machines for automatic letter sorting started operation in Beijing, Shanghai, Shenzhen and some other cities; 29 provincial capital cities began to use computers for distributing newspapers and magazines;

and computer consultation systems for express mail service were set up in big and coastal cities.

Wu said that last year eight optical communication cables were opened; construction of 14 satellite earth stations were basically finished; program-controlled telephones constituted 86 percent of the national telephone network.

In 1993 urban and rural telephone subscribers increased 5.86 million [as received]. Now there are 2.15 telephones for every 100 people of the country's population, while in cities the rate is seven percent.

In addition, in 1993 subscribers for mobile telephones increased 461,000, bringing the total number to 638,000; while users of wireless pagers increased by 3.38 million, bringing the total figure to 5.6 million.

Wu said in 1994 the industry will expand its investment in fixed assets to some 53.6 billion yuan, develop nine million new telephone subscribers, increase telephone switch capacity by 12 million lines, and construct 13 trunk optical cables.

Amendments to Accounting Law Noted

OW1201114794 Beijing XINHUA Domestic Service in
Chinese 0439 GMT 30 Dec 93

[Text] Beijing, 30 Dec (XINHUA)—Decision of the Standing Committee of the National People's Congress [NPC] regarding the revision of the "Accounting Law of the People's Republic of China", adopted at the Fifth Session of the Standing Committee of the Eighth NPC on 29 December 1993.

The Fifth Session of the Standing Committee of the Eighth NPC, having considered the proposal regarding the "Amendments to the Accounting Law of the People's Republic of China [draft]", has decided to make the following revisions to the "Accounting Law of the People's Republic of China":

1. Article 1 shall be amended as: "This Law is formulated in order to standardize and improve accounting work, ensure that accountants will functions in accordance with law, and bring into play the role of accounting in safeguarding the order of the socialist market economy, strengthening economic administration, and improving economic efficiency."

2. Article 2 shall be amended as: "The state organs, public organizations, enterprises, institutions, self-employed industrialists and businessmen, and other organizations shall execute their accounting matters in accordance with this law."

3. Paragraph 1 of Article 4 shall be amended as: "Leader of a unit shall supervise the accountant departments, accountants, and other personnel in implementing this law; make sure that accounting data are lawful, truthful, accurate, and complete; and ensure that the functions

and powers of accountants are not infringed upon. No one is allowed to retaliate against an accountant."

4. Paragraph 2 of Article 6 revised as: "Financial departments of the provinces, autonomous regions, and municipalities, competent departments of the State Council, and the General Logistics Department of the People's Liberation Army may, under the precondition of not contravening this law and uniform state accounting systems, formulate specific procedures or supplementary provisions for implementing uniform state accounting systems and submit them to the financial authorities for approval or for the record."

5. Paragraph 4 of Article 7 shall be amended as: "Increase or reduction of capital and funds as well as income and outlays".

6. Paragraph 1 of Article 9 shall be amended as: "Renminbi shall be the unit used in accounting books."

Paragraph 2 shall be amended as: "Units whose primary income and outlays are in foreign currency (currencies) may choose a certain foreign currency as the unit used for accounting purposes. In such cases, the currency shall be converted into renminbi when compiling accounting statements."

7. Paragraph 1 of Article 10 shall be amended as: "Accounting proofs, accounting books, accounting statements, and other accounting data shall conform to provisions regarding uniform state accounting systems. Forgery or alteration of accounting proofs or accounting books or submission of false accounting statements are not allowed."

A new paragraph shall be added as paragraph 2: "When computers are used in accounting, requirements regarding software used and the accounting proofs, accounting books, accounting statements, and other accounting data generated therefrom shall conform to State Council and Ministry of Finance provisions."

8. Paragraph 1 of Article 14 shall be amended as: "Units shall compile accounting statements according to the uniform state accounting systems and on the basis of accounting books and submit them to the Ministry of Finance and other departments concerned."

9. Paragraph 1 of Article 19 shall be amended as: "Accounting agencies or accountants shall refuse to handle illegal income and outlays."

Paragraph 2 shall be amended as: "Accounting agencies or accountants shall take action to stop or correct illegal income and outlays; where their action is ineffectual, they shall submit a written memorandum asking the unit's leader to handle it. The unit's leader shall, within 10 days of receipt of the memorandum, make a decision which shall be put in writing, to which he is held accountable."

Two new paragraphs shall be added as paragraphs 3 and 4: "Accounting agencies or accountants who neither take

action to stop or correct illegal income and outlays nor submit a written memorandum to the unit's leader are also held accountable." "Accounting agencies or accountants shall report to the competent unit or financial, auditing, taxation authorities about income and outlays that are severely harmful to the state and public interest. Authorities receiving such a report have the responsibility to deal with it."

10. Paragraph 1 of Article 20 shall be amended as: "Various units must, in accordance with the law and related stipulations of the state, accept supervision of financial, auditing and taxation organizations, and truthfully provide accounting vouchers, accounting books, accounting statements, accounting data, and other related information. They must not reject such supervision or demand related documents, and must not hide documents or make false reports."

Paragraph 2 of Article 20 shall be deleted.

11. Paragraph 1 of Article 21 shall be amended as: "Various units should establish accounting departments according to the accounting need or establish positions for accountants and designate a chief accountant in related departments. Units which do have conditions for establishing accounting departments or hiring accountants may entrust approved accounting consultation and service organizations to do accounting work for them. Large and medium-sized enterprises and large business undertakings may set up a chief accountant, who must have qualifications as a professional accountant."

12. Article 23 shall be amended as: "Accounting personnel must have necessary professional knowledge. The appointment and removal of chief accountants or responsible persons of accounting departments of state-owned enterprises and business ventures must have the concurrence of higher units having jurisdiction over them. Chief accountants or responsible persons of accounting departments must not be appointed or removed willfully. If faithful accounting personnel who adhere to principle are treated in an improper manner, the higher units having jurisdiction over those enterprises or ventures should order those enterprises or ventures to take remedial measures. If accounting personnel neglect their duties, lack principles, or are unsuitable for accounting work, the higher units should order concerned units to transfer or dismiss those unqualified accounting personnel."

13. Article 26 shall be amended as: "Leaders, accounting personnel and other staff members of various units who prepare false accounting vouchers, change or intentionally destroy vouchers, accounting books, accounting statements, accounting data and other related information, or if they use false accounting vouchers, accounting books, accounting statements and other accounting information and thus infringe upon interests of the state, society and the public shall be handled and investigated for their roles in these activities by financial, auditing,

taxation and other related responsible units in accordance with the law and administrative rules and regulations. Those whose actions constitute crimes shall be investigated for their criminal responsibility."

14. Article 27 shall be amended as: "Accounting personnel who accept and handle unlawful accounting vouchers, who do not make written comments to leaders of respective units on illegal income and expenditures, or if they do not make reports to higher units or financial, auditing, and taxation organizations will be given administrative punishment if the situation is serious. Accounting personnel whose are responsible for major losses to government or private properties and constitute crimes shall be investigated for their criminal responsibility in accordance with the law."

15. Article 28 shall be amended as: "If the leaders of various units, after receiving the written comments of accounting personnel in compliance with paragraph 2 of Article 19 of this law, still approve of such illegal income or expenditures or if they take no remedial action within a certain period without a proper reason and in this manner cause serious consequences, they shall be given administrative punishment. If their action or inaction causes severe harm to state and public interests and constitute crimes, they shall be investigated for their criminal responsibility."

16. Article 30 shall be deleted.

In addition, the language of certain articles should be adjusted and revised according to this decision.

This decision shall come into force on the date of promulgation.

The "Accounting Law of the People's Republic of China" shall be promulgated again after making appropriate amendments according to this decision.

Firms Set Up Unemployment Insurance Programs

OW1201094194 Beijing XINHUA in English 0913
GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—There are now 470,000 state-owned enterprises in China with unemployment insurance schemes, covering some 74 million employees.

Some collectively-owned firms have followed suit.

In the first ten months of last year more than 700,000 unemployed people received benefit funds from the state, according to the first issue of the newspaper "CHINA REFORM" today.

Since China changed its "insurance for people waiting for jobs" to unemployment insurance in 1986, a total of 1.2 million people have received relief funds. Now the majority of the unemployed have found new jobs, according to the paper.

Law on Trade Unions in Foreign-Funded Firms

HK1201101094 Hong Kong MING PAO in Chinese
8 Jan 94 p A9

[Report by special Correspondent Ching Chi 5427 2765: "Beijing Adopts Draft Labor Act; Workers' Trade Unions Are To Be Set Up in Foreign-Funded Enterprises"]

[Text] The State Council adopted a draft "Labor Act" yesterday, the first of its kind in China, in which it is stipulated that workers' trade unions are to be set up in foreign-funded enterprises. It is learned that problems involving the rights and interests of workers and staffers in foreign-funded enterprises being violated had aroused the concern of the CPC top echelon.

A report showed that currently the rights, interests and dignity of workers and staffers in quite a number of foreign-funded enterprises have been violated and some people even said that it was "a repetition of miseries characterized by primitive accumulation at the initial stage of capitalism."

A recent poll in Guangzhou showed that workers and staffers in foreign-funded enterprises had complaints against their employers; 30 percent of them said they had been forced to work overtime and many said that they had experienced body searches.

Poll of Workers and Staffers in Foreign-funded Enterprises

Grievance	Percentage
Seven-day working week	61
Forced to work overtime	34.7
Working overtime without compensation	20
Workplace lacking safety equipment	28
Warned about getting the sack	37.4
Having experienced body search	17.6
Female workers without maternity	55.3

Source of data: Guangdong Provincial Federation of Workers' Trade Unions

This reporter has recently been in contact with some individual cases of workers and staffers in foreign-funded enterprises and what they had experienced was quite beyond the imagination.

The 18-year-old Hua Ming from Hunan told this reporter that he had managed to escape from Shenzhen. In May 1992, Hua Ming, who came from a poor family, dreamed of bright prospects in Shenzhen and eventually took a train heading south and found a job at an electronics component assembling factory with a monopoly of Hong Kong investment. It was not long before he found his dream burst like a soap bubble. He

said: "The factory was like one big prison. We were shut in on the second and third floors of the three-story building working every day, with three watch posts inside the house, which was walled by electric barbed-wire. One even had to get a pass to go to the rest room. The boss always wanted us to work overtime, without compensation. I was the most efficient hand in the factory but got only 100 yuan a month pay. I felt dizzy working 15 hours a day. However, I was lucky compared with those who had lost their fingers at punching machines and had been maimed."

He further said: "Once I carelessly bumped into the supervisor and he kicked me so hard in the small of my back that I fell several meters away."

The ways the boss penalized workers and staff were continuously "updated." For example, ordering everyone to go down on their knees, "horse-vaulting" under the scorching sun, even shutting workers in the same cage with a dog....

Sometimes the "white-collar" Chinese staff in foreign-funded enterprises were humiliated. A female graduate from Beijing University worked as the public relations manager in an enterprise with monopoly Japanese investment in Hainan and earned considerably high income but, at one time, the Japanese boss wanted her to spend the night with a Hong Kong businessman. She angrily refused and was slapped so hard by the Japanese boss that she bled.

According to an analysis by a relevant department the causes for violations of the legitimate rights and interests of workers and staffers in foreign-funded enterprises are complicated. A worker at Tianjin service center for foreign investment said: "We know that problems are becoming increasingly serious; this situation has something to do with the work in various places. Today, when some places import foreign investment, they keep talking about preferential treatment but say very little about control according to the law. Some leading members do not want to talk about control lest foreign businessmen be scared away."

Coal Bases To Be Built for 21st Century

OW1201154894 Beijing XINHUA in English 1403 GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—China will set up large-scale coal bases in its northern areas to supply energy for the development of its national economy in the 21st century.

Named the "three-xi project", it aims to turn Shanxi, Shaanxi and western (or in Chinese, "xi") Inner Mongolia into China's coal bases by the end of this century. "These bases will be comprehensive ones covering concerned projects such as coal mines, electric power plants, railway transportation, gasworks and concrete plants," said a high-ranking official of the Ministry of Coal Industry.

According to the ongoing work conference on the coal industry, the plan will be worked out later this year, and the project will be approved at that time.

Statistics show that the proven coal deposits in those areas account for 63 percent of China's total. By the year 2000, about 370 million tons of coal there are expected to be allocated to other areas of China.

China is rich in coal reserves and coal accounts for about 75 percent of its primary energy consumption.

In 1993, China's coal output reached 1.14 billion tons, and it is expected to top 1.4 billion tons by the end of this century.

According to experts, China can be divided into three parts in terms of coal distribution. The resources in 19 provinces lying east of the Beijing-Guangzhou Railway are short of demands. The "three-xi" areas are rich in coal deposits and will supply coal to other areas, while deposits of coal in western China meet the region's own demands.

The official said that consequently, in the coal producing areas with large deposits and high efficiency, a batch of large energy bases combining transportation of coal and electric power will be set up to support China's national economy.

To promote the sustained, fast and healthy development of the coal industry, the official said, in 1994, no efforts will be spared to set up 20 comprehensive development bases with major state-owned coal mines as the foundation.

Meanwhile, more attention will be paid to the construction of 15 commodity coal mining areas and 100 key coal-producing counties with state-owned, locally-run coal mines and township coal-mines as their respective mainstays.

Permit for Coal Production To Be Introduced

HK1201131294 Hong Kong ZHONGGUO TONGXUN SHE in English 1122 GMT 12 Jan 94

[Text] Beijing, January 12 (CNS)—According to a national work conference on coal production, the Ministry of Coal Industry is, with the approval by the State Council, to implement a permit system for coal production.

The implementation of such a system is necessary in that there are many disorders and malpractices in the country's coal industry especially in the township enterprises engaging in this sector including the disorder in their production, the bad condition in their safety and the waste in coal resources. [paragraph as published]

According to the permit system, coal mines will be asked to submit to an examination by departments concerned in order to receive a permit before starting up production and those already in production will also be

required to apply for such a permit and those found not qualified will be ordered to improve their work, stop their production or be closed.

More Loans to Agriculture, Rural Industry

HK1201070094 Beijing CHINA DAILY in English 12 Jan 94 p 2

[By staff reporter Wu Yunhe: "Agriculture to Get More Loans"]

[Text] The Agricultural Bank of China (ABC) said yesterday at least 10 percent of the country's bank loans should flow into the cash-starved agricultural sector this year.

The ABC also plans to put forward the suggestion at a six-day national conference on financial work that opened today with participants from all of the country's banks.

Last year, only 6 percent of the loans from the country's banks were channeled into agriculture, lagging far behind the needs in the countryside, said an official with the bank.

Bank officials said the ABC will, this year, intensify its financial backing for township factories engaged in manufacturing high-value-added export products as well as to poverty-alleviation projects in remote areas.

It lent more than 335.3 billion yuan (\$39 billion) to the country's township enterprises last year to help them to expand, up 63.8 billion yuan (\$7.4 billion) from 1992.

By the end of last year, ABC's various savings deposits hit 827.9 billion yuan (\$96.3 billion), up 157.2 billion yuan (\$18.3 billion) from the beginning of 1993.

Of the total, individual savings accounted for 610.2 billion yuan (\$71 billion), 126.3 billion yuan (\$14.7 billion) higher than at the end of 1992.

Strong growth in savings deposits enabled the bank to increase its lending earmarked for the country's agricultural development.

Since the central government started its credit-tightening policy in June last year, the bank has recalled 5.8 billion yuan (\$674 million) of its inter-bank borrowing to support the rural economy.

The recalling of the inter-bank borrowing by the bank has effectively restricted its non-banking financial companies' speculative activities in the country's real estate and stock markets.

In a firm response to the government's call for strong backing of the rural economy, the ABC disbursed nearly 233 billion yuan (\$27 billion) in loans for agricultural production last year, up 38 billion yuan (\$4.4 billion) from the previous year.

Agricultural Sector Expects Increase in Loans

OW1201134194 Beijing XINHUA in English 1242 GMT 12 Jan 94

[Text] Beijing, January 12 (XINHUA)—The Agricultural Bank of China (ABC) will add 9 billion yuan to its annual credit to agriculture this year, which will lift the bank's credit supply to agriculture to a total of 25 billion yuan, according to a senior ABC official here today.

In addition to the loans provided by the rural credit cooperatives across the country, the agricultural sector is expected to get over 35 billion yuan in loans for the whole of 1994.

This means a jump of about 45 percent from last year's level of 23.8 billion yuan.

According to ABC's president Ma Yongwei, the bank will be split into two banks: the Agricultural Development Bank and the Agricultural Bank of China.

The former will be responsible for policy-related lendings which will ensure the state purchase of grain, cotton and oil seed and channel poverty-relieving funds to most needy areas.

Free from the policy-related business, the Agricultural Bank of China will begin to operate in the way of a commercial bank.

At present the bank as well as the country's banking authorities are working at top speed defining the range that policy directives will cover and the differing capital fund management for the two banks, noted Ma.

He said the policy-oriented bank would be established in the first half of this year, before the summer harvest begins.

This year, the People's Bank of China, The Central Bank, will stick to the credit quota system to ensure control of total bank lending.

The ABC president stressed that ABC branch banks would not breach the quotas set by the bank authorities.

Gap Between East, West Provinces 'Narrowing'

HK1201065594 Beijing ZHONGGUO XINWEN SHE in English 0800 GMT 10 Jan 94

[Text] Beijing, January 10 (CNS)—China's serious gap between its east and west has now begun showing signs of narrowing.

According to the Ministry of Agriculture, the gross output of the township enterprises in 20 provinces and regions in the central and western parts in the country reached RMB 400 billion last year, more than 60 percent up over the year before and 10 percentage points higher than the country's growth on average.

Last year, the state made special loans of RMB 5 billion to support the development of township enterprises, seen as the biggest project for turning these areas from

being poor into becoming rich. At the same time, various localities also increased their investment in this sector. Such investment for the development of these enterprises is predicted to account for RMB 35 billion, over 25 percent of the country's total, up from the 23 percent in the previous year. As a result, a large number of big-sized and highly efficient items have been set up.

According to initial statistics, such enterprises there have taken on 3.3 million rural redundant labourers, making up 60 percent of the country's total new working force going into this sector last year. The gross output, business and sales income and profits tax earned by these enterprises last year amounted to 34.7 percent, 36.4 percent and 3.61 percent of the country's totals.

East Region

Jiangsu Approves More Overseas-Funded Enterprises

OW1201162994 Beijing XINHUA in English 1529
GMT 12 Jan 94

[Text] Nanjing, January 12 (XINHUA)—Jiangsu, one of China's most economically developed provinces, has approved more than 20,000 overseas-funded enterprises, ranking second in China, after Guangdong Province.

This shows that the focus of foreign investment is moving from the Pearl River delta in south China to the Chang Jiang river delta, economists said.

In 1993, the local government approved a total of 10,248 overseas-funded enterprises, involving 10.8 billion U.S. dollars in contracted foreign funds, of which 2.84 billion U.S. dollars have been put to use.

By the end of last year, the province had approved 20,354 foreign funded enterprises. Of these, 6,800 enterprises have been operational.

Economists attributed the trend to the implementation of China's strategy of opening up and developing the Chang Jiang river delta and the economic belt along the Chang Jiang river in 1991.

Jiangsu is situated where the Chang Jiang river and the East [China] Sea meet. It has several major ports, including Nanjing, Zhenjiang, Zhangjiagang, Nantong and Lianyungang.

In 1993, it stepped up the construction of energy, transport and telecommunications facilities and has greatly improved the investment environment.

It has also strengthened drafting of regulations to attract overseas investment.

Good performances among overseas-funded enterprises have bolstered the confidence of overseas investors in the province, provincial officials said.

A survey of 2,010 foreign-funded enterprises conducted by the provincial department of finance during January and September last year showed that they had a total output value of 16.8 billion yuan and reported a sales income of 14.2 billion yuan, respectively up 64 percent and 62 percent over the previous year. They produced 982 million yuan in profits, up 92 percent.

The still greater investment tide has not come yet, Vice Provincial Governor Wang Rongbin said.

He estimated that the paid-in foreign funds for this year will grow by 50 percent over last year.

Shandong Secretary Interviewed on Reform

SK1301033394 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 12 Jan 94

[Text] During an interview with a reporter of HSIANG KANG SHANG PAO [COMMERCIAL NEWSPAPER OF HONG KONG] on 12 January, Jiang Chunyun, secretary of the provincial party committee, said: In 1993 Shandong Province realized sustained, accelerated, and healthy development in its economic construction thanks to the common efforts made by the people throughout the province. This year will be the year of reform, in which the province will enjoy many good opportunities and favorable conditions. The province's economy is estimated to remain at the accelerated rate of development.

The five-member group headed by (Ma Li), chief editor of HSIANG KANG SHANG PAO, and (Wu Xiyuan), executive deputy general manager and deputy chief editor of the Hong Kong newspaper, came to Jinan to attend the celebration sponsored by the office of DAZHONG RIBAO to mark the first anniversary of establishing a special column for the province in the Hong Kong newspaper. Over the past year, the Hong Kong newspaper has carried the special column on 54 pages of 25 issues in which the column has vividly introduced the fruitful achievements scored by our province in reform, opening up, and economic construction and played the role of a bridge or acted as a link in attracting outside business and investments. Reports in the special column have drawn attention and praise from the broad masses of overseas readers.

Accepting with pleasure the interviews with the reporters of the Hong Kong newspaper respectively on the morning and afternoon of 12 January were Jiang Chunyun, secretary of the provincial party committee; Li Chunting, deputy secretary of the provincial party committee and vice governor of the province; and Dong Fengji, member of the provincial party standing committee and director of the provincial propaganda department.

During the interview, Jiang Chunyun briefed the reporter on the province's situation in reform, opening up, and economic construction. He said: Over the past year the people throughout the province have closely integrated the spirit of central directives with the province's reality under the guidance of the socialist theory of Comrade Deng Xiaoping with regard to building socialism with Chinese characteristics. They have also seized the opportunity, deepened the reform, and correctly grasped or handled the contradictions cropping up in the economic operation, bringing about the sustained, accelerated, and healthy development of the province's economy. Undertakings in various fields have achieved new progress. Jiang Chunyun pointed out: In the course of establishing the systems of socialist market economy, it has been inevitable to encounter some problems and contradictions and we have discerned that in order to deal with the deep-rooted problems cropping up in the

economic operation, it is imperative to rely on reform and to reinforce the strength in reform. Jiang Chunyun said: This year is the year of reforms, in which the state will concentrate on issuing a series of important measures for reforms that will deal with a wide range of things and whose tasks are arduous. He said: The current situation as a whole in the province is very fine. With the correct leadership of the CPC Central Committee, the foundation and experience gained in reform and opening up over the past 15 years, and the efforts made by the people throughout the province in positively and vigorously making progress, Shandong Province will certainly be able to improve its economy and various undertakings to a new level in the new year by further emancipating minds, truly grasping the reform, and doing practical deeds.

Shandong Secretary Speaks on Telecommunications

SK1201083794 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 11 Jan 94

[Excerpt] In 1993 the province's post and telecommunications departments upheld the principle of carrying out standardized construction on the one hand, and doing a good job in rendering post and telecommunications services in line with the local economic development on the other hand. Thus, an unprecedented and good situation has prevailed in the province's post and telecommunications business. By the end of 1993, the post and telecommunications departments throughout the province realized 2.75 billion yuan of business volume, which showed a 76 percent increase over 1992. The increased scale has surpassed the national average level in this regard by 17.3 percent. The development speed has also enabled the province to enter the forefront of the nation in this regard. Our province has, to date, improved its actual economic strength as a whole, its comprehensive economic strength, and brought the service standard on its post and telecommunications front to a new level.

Attending the provincial work conference held in Jinan on 11 January on the affairs of post and telecommunication were Jiang Chunyun, secretary of the provincial party committee; Zhao Zhihao, deputy secretary of the provincial party committee and governor of the province; and Chen Jianguo, member of the provincial party standing committee and vice governor of the province. At the work conference, they extended congratulations on the tremendous achievements scored by the post and telecommunications departments across the province and expressed their thanks for the tremendous contributions made to developing the economy in the province by the staff members and workers on the post and telecommunications front.

In his speech Jiang Chunyun said: Since orienting its post and telecommunications business onto the high-speed track of development in 1988, our province has scored marked achievements in the development that

has made great contributions in accelerating the economic development in the province, broadening the opening up, and making things convenient for the people's production and livelihood. Current tasks for building socialism have entered a new historic period that has set forth new demands for the post and telecommunications front. In order to boost the economy, communications on the post and telecommunications front should go ahead of others. If we should do a lot in economic construction, we should first do a lot in the post and telecommunications aspect. He urged cadres, staff members, and workers on the province's post and telecommunications front to carry forward their achievements, to advance on the crest of success, and to meet the needs of economic construction and the people's livelihood.

During the work conference, Governor Zhao Zhihao and Vice Governor Chen Jianguo also delivered a speech. [passage omitted]

Shandong Statistics on Telecommunications Noted

OW1301082594 Beijing XINHUA in English 0629 GMT 13 Jan 94

[Text] Jinan, January 13 (XINHUA)—East China's Shandong Province has made remarkable progress in the development of posts and telecommunications over the past year.

According to official statistics, a total of some 2.48 billion yuan (about 285 million U.S. dollars) was earned by postal and telecommunication service last year, 73 percent more than in 1992.

Over the past year, the province has expanded its microwave and optical fibre cable lines by 1,837 kilometers and 946 kilometers, respectively.

In addition, international satellite communication has been put into service between Weihai city of Shandong to Seoul of Korea.

Some 15,000 long-distance telephone lines have been opened, increasing the number of such lines in the province to 33,000, 81 percent of which are automatically controlled.

All cities and 67 counties in the province have established program-controlled telephone systems, and program-controlled switchboards with 395,000 lines were opened last year.

Consequently, the number of telephone users in the province has risen to about 1.37 million.

Officials from the provincial posts and telecommunications department said that now more than 50 percent of the towns and villages have opened automatically-controlled telephone lines.

Some 81 post offices had been computerized by the end of last year.

The postal and telecommunication services have been expanded greatly, with mobile telephones, digital communication, radio tracking and credit card phones available in most areas in the province.

According to official statistics, the postal savings of the province hit a record of more than 5.3 billion yuan (about 609 million U.S. dollars) last year, ranking second in China's postal service.

Officials said that more than 3.1 billion yuan (about 356 million U.S. dollars) have been invested in the construction of postal services over the past year, four times the 1992 sum.

Shandong Discipline Inspection Work Report Noted

SK1201094294 Jinan DAZHONG RIBAO in Chinese
3 Dec 93 p 2

[Work report of the Shandong Provincial CPC Discipline Inspection Commission given to the Sixth Shandong Provincial CPC Congress on 23 November]

[Excerpts] The following report on the work of the Shandong Provincial CPC Discipline Inspection Commission carried out in the past five years is now given to the sixth provincial party congress for its discussion.

Major Work in the Past Five Years

Under the correct leadership of the provincial party committee and the Central Discipline Inspection Commission, the provincial discipline inspection commission and discipline inspection commissions at all levels took Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the guidelines of the 14th party congress as guidance, comprehensively implemented the party's basic line, persistently regarded economic construction as the central task, continued the explorations on new ways of doing discipline inspection work to meet the needs of the new situation of reform and opening up, strived to fulfill the tasks entrusted by the party Constitution, conscientiously performed discipline inspection functions, completed a great amount of work for safeguarding party discipline, punishing corruption, improving party style, and building a clean government, and made positive contributions to the smooth progress of Shandong's economic construction, reform, and opening up.

1. We made unremitting efforts in improving party style and building a clean government and remain resolute in serving the basic line.

It has always been the guiding thought for discipline inspection organs to improve party style, build a clean government, and ensure implementation of the party's basic line with the focus firmly placed on economic construction, the central task. In the past few years, discipline inspection commissions at all levels persistently emancipated the mind, sought truth from facts,

and coordinated discipline inspection work closely with reform, opening up, economic development, and the endeavor of safeguarding stability and unity in line with the requirements of the provincial party committee and the Central Discipline Inspection Commission. To counter the conspicuous contradictions in inner-party life and economic activities, we studied and adopted preventive measures from the perspective of safeguarding party regulations and party laws and improving party style, conscientiously solved budding problems and tendencies, strived to ensure social and political stability, and provided a good environment for developing the economy and establishing the socialist market economy system.

Proceeding from maintaining close party-populace ties and boosting the enthusiasm of cadres and the masses for reform and construction, we made efforts to promote party style and build a clean government. While concentrating efforts on economic construction, the fifth provincial party committee regarded the endeavor to punish corruption and advocate honesty as a major task. In early 1989, it held an on-the-spot meeting in Changle on "persisting in the party's purpose and maintaining honesty in administration," which was participated in by city, prefectural, and county major responsible persons. The meeting summarized and disseminated the experiences in making administrative work public and promoting honesty in party and government organs and put forward new requirements for the province on improving party style and building a clean government. Discipline inspection commissions at all levels made active efforts to help party committees in promoting honesty and diligence in administration, establishing systems for maintaining honesty, and strengthening the supervision by the masses. They popularized such systems as "making work procedures and work results public for the scrutiny of the masses" and "appraising governments' functional departments," thus gradually systematizing the endeavors to improve party style and build a clean government.

We strictly enforced the party's political discipline to safeguard social stability. In 1989 when there was a political storm in the country and the international situation was abruptly changing, discipline inspection commissions at all levels and the vast number of discipline inspection cadres took a firm and clear-cut stand and resolutely implemented the instructions of the central authorities and the provincial party committee, displaying their firm party spirit and organizational discipline. The provincial discipline inspection commission issued a timely circular to state party discipline. Discipline inspection commissions at all levels also put forward demands and coordinated with pertinent departments to conduct examinations. They played an important role in defending party discipline, consolidating, and developing the stable and united political situation, and ensuring unity of party organizations and party-member cadres with the party Central Committee. [passage omitted]

2. We made particular efforts to investigate and handle discipline breaches and strictly enforced party discipline.

Adhering to the principle of managing the party strictly, discipline inspection commissions at all levels "made particular efforts to investigate and handle discipline breaches within the party and comprehensively perform the discipline inspection function." Starting with discipline enforcement and handling of cases to achieve breakthroughs in opposing corruption, we particularly investigated and handled serious violation of political discipline, such economic cases as embezzlement and bribery, abuse of power for selfish gains, bureaucracy, cases on dereliction of duty, smuggling, sale of smuggled goods, and violation of socialist morality and eliminated a number of corrupt elements. In the past five years, we investigated and handled 92,105 discipline breaches within the party and punished 77,112 party members, of whom 12,891 were expelled from the party, 21,453 were placed on probation, and 2,156 were dismissed from party posts. Among the punished party members, 445 were cadres at the county and section level, and 24 were cadres at the departmental and bureau level. By investigating and handling these cases, we strictly enforced party discipline, educated party-member cadres, and purified party organizations. [passage omitted]

3. We launched special improvement endeavor to correct unhealthy trends.

Based on reality and by doing practical work, we followed party leadership and coordinated with pertinent departments to tackle and correct the unhealthy trends that seriously affected economic construction, reform, and opening up that interfered with the implementation of party principles and policies and of which the masses were most dissatisfied with. We carried out this work by concentrating efforts on tackling one or two unhealthy trends at a time. In the past five years, we dealt with the party and government cadres who violated laws and discipline in housing construction, recovered more than 20 million illicit funds, meted out economic sanctions on 13,000 persons, and punished 258 persons according to disciplinary actions. We made conscientious efforts to correct the unhealthy trends in some trades. Focusing on 11 trades, such as public security, industry and commerce, and public health, we conducted education to straighten out problems. We investigated and handled 2,050 cases on abuse of power for selfish gains; put an end to some unwarranted pooling of funds, wanton requisition of donations, and exaction of fees to reduce the financial burden totaling 780 million yuan on enterprises and peasants; straightened out rural chaotic financial management, clarified 360 million yuan of debts receivable and debts payable, and returned 130 million yuan; examined and collected 169 million yuan of public funds owed by 115,000 staff members and workers; and corrected the mistake of 46 departments that violated regulations to provide clothes to their staff members and workers. We also examined and straightened out the use of personnel, financial, and material resources of enterprises without compensation, use of public funds for the

education of one's children, and lavish wining and dining with public expenses. Based on their own characteristics, discipline inspection commissions at all levels also persistently coordinated the effort to check unhealthy trends with that to straighten out discipline and coordinated ideological education with improvement of systems to continuously consolidate and expand the achievements in checking unhealthy trends.

4. We strengthened supervision and inspection to ensure the smooth implementation of government orders.

Focusing on ensuring reform and opening up and facilitating the establishment of the socialist market economy system, discipline inspection commissions at all levels strengthened supervision and inspection of the implementation of the party's line, principles, and policies, state laws and regulations, and major reform measures, and strived to solve the problems that "orders and prohibitions were not carried out." [passage omitted]

In view of the problems discovered during the supervision and inspection, we held several theoretical symposiums to formulate policy standards to meet actual needs. In the past few years, the provincial discipline inspection commission formulated 10 policies to support and protect reform, five requirements to improve party style and build a clean government, 14 opinions to promote enforcement of the "regulations," and 10 regulations to maintain the honesty of party and government organs. All of them were approved and transmitted by the provincial party committee and government in a timely manner, which not only helped standardize the activities of party-member cadres but also provided a policy base for the supervision and inspection and for strict enforcement of discipline.

5. We successfully conducted education on party style and party discipline based on reality.

In line with the requirement put forward by the provincial discipline inspection commission for "paying attention to both handling of cases and education," discipline inspection commissions at all levels conscientiously implemented the principle of "putting education and prevention first" and adopted effective measures to intensify the education on party style and party discipline to address the problems in party member's thinking about reform, opening up, and development of the socialist market economy. They coordinated with pertinent departments to launch one large education activity every year. They conducted the education for party members throughout the province to "study party Constitution and correct party style," "study party regulations and laws," "oppose corruption and prevent degeneration," and "study party Constitution, stress dedication, and be qualified party members." More than 90 of the party members received the education. [passage omitted]

6. We improved the contingent of discipline inspection workers with the spirit of reform.

Party committees and discipline inspection commissions at all levels attached great importance to improving the contingent of discipline inspection workers. They organized the vast number of discipline inspection cadres to conscientiously study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the market economy, and modern scientific and technological knowledge. On-the-job study and special training enabled the cadres to continuously improve their political quality and professional competence. Meanwhile, in line with the "four requirements" on cadres, we selected a number of cadres in the prime of life who have both political integrity and ability to replenish the leading bodies of discipline inspection commissions. In line with the requirements of the party Central Committee and the provincial party committee, we changed the sections of discipline inspection organs into offices and provided cadres according to regulations. We conducted exchange of discipline inspection cadres in a planned manner to invigorate the contingent. We established and improved the discipline inspection organizations in enterprises, institutions, towns, and townships. We launched provincewide activities to "learn from, emulate, and surpass the advanced and vie to be loyal guards of the party" to promote the self-improvement of the discipline inspection contingent. The vast number of discipline inspection cadres adhered to principles, advanced despite difficulties, remained honest in performing duties, worked hard, displayed good morality and brand-new mental outlook, and created a large number of advanced examples. Fifteen persons of the province were named as national outstanding discipline inspection cadres, and two discipline inspection commissions (group) were named as national advanced discipline inspection organizations. The provincial discipline inspection commission commended 48 advanced discipline inspection organizations and 250 outstanding discipline inspection cadres.

In line with the decision of the party Central Committee and the State Council on merging the offices of discipline inspection and supervision organs, the provincial discipline inspection and supervision organs began to do so in March this year and completed this work in three months. This work represented a major reform of the supervision system of the party and government. It helped strengthen the discipline inspection and supervision functions under unified party leadership, helped the government strengthen leadership over supervision work, helped avoid overlapping of work, and helped streamline organs and personnel. All discipline inspection organs carried out this work in a steady and discreet manner, thus achieving unity and pooling efforts. Working in the same office, discipline inspection organs and supervision organs became one organ which performed two functions. In this way, they raised work quality and efficiency and strengthened both the discipline inspection and the supervision functions.

Thanks to the concerted efforts of party organizations at all levels and the vast number of party members in the

province, notable results were achieved in the party's discipline inspection work and in improving party style and building a clean government in the past five years. Most party members and cadres were honest in performing duties, and the main aspects of party style were good. However, we should also remain clear-headed to note the large number of negative and corrupt phenomena and the very arduous tasks to oppose corruption. Some party organizations and leading cadres with party membership lacked an understanding of the necessity and urgency of the anticorruption struggle and failed to properly handle the relationship between the endeavor of opposing corruption and advocating honesty and the endeavor of economic development, reform, and opening up. Discipline enforcement was not strict enough in some areas. Some leading cadres with party membership had a weak sense of organization and discipline and failed to act as an example. On the part of the provincial discipline inspection commission, its concepts, work methods, and leadership style were incompatible with the needs of the new situation and new tasks; and it failed to work in a creative manner and provide effective guidance and assistance to lower-level discipline inspection commissions. We should solve these problems when carrying out in the future. [passage omitted]

Shanghai Sees Establishment of 'Major Markets'

OW1201065094 Beijing XINHUA in English 0638
GMT 12 Jan 94

[Text] Shanghai, January 12 (XINHUA)—The establishment of major markets in China's largest economic center has proved successful, according to municipal officials.

"The ten newly-opened exchanges are becoming a mainstay of Shanghai's economic development," a municipal official said.

The exchanges involved the fields of securities, metals, coal, farm production materials and equipment, chemicals, grain and edible oil, motor vehicles, building materials and technology.

Opened since 1990, the markets expanded their operations quickly to other parts of the country, with the total transactions reaching 1,000 billion yuan-worth in 1993.

A survey shows that Shanghai's gross domestic product last year went up by 14 percent. More than 90 percent of the 60 million tons of important materials including metals, fuel oil and coal, which it consumed last year, were supplied by the new markets.

Through the local securities market, 92 enterprises in the city have issued stocks to the public.

Linking itself with the international and domestic markets, the Shanghai metals exchange succeeded in reining in price hikes last year.

According to the official, as most prices on the ten exchanges are constant, these markets are playing an influential role in regulating production and operation of many enterprises in the country and leading them toward the international market.

The official disclosed that Shanghai is preparing to open nationwide exchanges for foreign currency and gold.

With these markets playing a greater role in the allocation of resources and hooking up with the international market, economists here agree, Shanghai's economy will continue to develop at a rapid and healthy pace.

Shanghai Official Predicts 'Good Year' for Pudong

OW1301062194 Beijing XINHUA in English 0558 GMT 13 Jan 94

[Text] Shanghai, January 13 (XINHUA)—The year 1994 will turn out to be a good year of development for the Pudong New Area, according to Shanghai's Deputy Mayor Zhao Qizheng.

Zhao, also chairman of Pudong's Administrative Committee, told a press conference that 2.5 billion yuan will be invested in ten key infrastructure projects in the area, including a 1.5-sq-km park, the expansion of schools, and a boulevard in the Lujiazui Finance and Trade Zone.

Unmarked on a sizable map only three years ago, the Pudong area, covering 518 sq km on the east bank of the Huangpu River, has become a symbol of and a bridge-head for Shanghai's comeback as an economic and financial center for the Asia and Pacific region.

Therefore, construction of its infrastructure has to be top-flight from the very beginning, Zhao said.

Statistics show that in 1993 the area recorded an output value of 16.4 billion yuan, double that for 1990. The figure is also up 30.2 percent over 1992, and 15.3 percentage points higher than the growth rate for the area on the river's west bank.

Last year Pudong had 16 billion yuan-worth of fixed assets, far surpassing the 7.5 billion yuan for 1992. Its revenue growth was 60 percent, and 924 foreign-funded projects were approved by the local government in the same year.

So far, with a total investment of 15 billion yuan, the first ten projects, involving transportation, energy and telecommunications, have been completed, two years ahead of schedule.

Thanks to this, the skeleton of a modern metropolis has taken shape, especially on the 50 sq km of developed land which embraces the Lujiazui Finance and Trade Zone, Waigaoqiao Free-Trade Zone, Jinqiao Export-Processing Zone and Zhangjiang Hi-Tech Zone.

In 1.7-sq-km Lujiazui, which aims to become the largest business center in China, construction of 50 financial and commercial office buildings has begun, with a total floor space of over two million sq m, and work on another 30 buildings designed to be up to the world advanced level will start within this year.

According to the blueprint, by the end of this century 150 large buildings will come into existence in Lujiazui.

So far, 20 out of the top 100 world conglomerates have set up branches in Pudong. In the Jinqiao District there are 202 foreign-invested projects, financed to the tune of an average of some 13 million U.S. dollars each.

Zhao said that by the year 2000 Pudong will expand its development area by another 60 sq km, with the urbanized area reaching more than 100 sq km.

Shanghai Introduces Advanced Mobile Phone System

HK1301063894 Beijing CHINA DAILY in English 13 Jan 94 p 2

[By staff reporter Liang Jun: "Shanghai Receives Top-Notch Mobile Phone System"]

[Text] The world's most advanced mobile phone system has just been introduced to Shanghai.

Motorola's high-capacity electronic mobile switching system has been working well since Shanghai Posts and Telecommunications Administration began trial operations last month.

Shanghai is the first city in China to introduce such a sophisticated mobile phone system. Beijing officials also signed an agreement last year with Motorola to buy the system, called EMX 2500.

Motorola, an American company has sold the cutting-edge system to many countries.

More than 120 Chinese cities currently use cellular phone switch systems made by Motorola.

The introduction of the larger-capacity system to Shanghai will triple the possible number of mobile phone users in the city.

Pertti Johanson, Vice President and General Manager of Motorola's International Cellular Infrastructure Division, said that the software of the EMX 2500 in operation in Shanghai has been modified to better meet the requirements of China's telecommunications networks.

He added the introduction of the large-capacity switch system in Shanghai will not only enhance call processing speed, but also lay a solid foundation for the network and capacity to expand.

According to the Ministry of Posts and Telecommunications, China had about 638,000 mobile phone subscribers at the end of last year, with many applicants waiting for phones.

The ministry plans to increase the total number of mobile phone users to between 900,000 and 1 million by the end of this year.

In another development, Motorola China Inc has decided to invest nearly \$200 million this year in the Tianjin Economic and Technological Development Area (TEDA).

See Peng Hong, chief representative of Motorola China Inc, said in Tianjin that he had full confidence in the areas investment environment and China's economic reforms.

The company has now set up two factories in the Tianjin area since March 1992. The first factory assembles pagers, making about 40 percent of Motorola's digital radio pagers on the Chinese market.

Central-South Region

Guangdong Secretary on Reform, Modernization

HK1201152094 Guangzhou YANGCHENG WANBAO
in Chinese 16 Dec 93 pp 1, 2

[“Excerpts” of speech by Comrade Xie Fei (6200 7236), Guangdong CPC secretary, at Second Plenary Session of Seventh Guangdong Provincial CPC Committee on 9 December 1993; place not given: “Quicken the Pace of Reform, Promote Modernization”]

[Text] The main task of this current session is to: Convey and study the spirit of the Third Plenary Session of the 14th CPC Central Committee; study how to implement the “Decision By the CPC Central Committee on Several Questions Concerning the Establishment of a Socialist Market Economic Structure” in the light of Guangdong's actual conditions; speed up the pace of reform; and to maintain sustained, rapid, and healthy economic development. In accordance with the decision by the provincial party committee standing committee, let me discuss the province's present situation and how to study and implement the “Decision” adopted by the 14th CPC National Congress at its Third Plenary Session.

1. Guangdong's Current Reform and Development Situation

Since the beginning of this year, the provincial party committee's line of thinking on its work has been: Actively and steadily carry forward reforms in various fields of endeavor, centering on the reform goal of establishing the socialist market economic structure and the strategic task of basically achieving modernization within 20 years, with Comrade Deng Xiaoping's important southern tour talks and the spirit of the 14th CPC

National Congress as the guide; earnestly implement the central instructions on tightening macroregulation and control, strengthening infrastructures, basic industries, new, high-tech industries, and agriculture, and promoting the province's sustained, rapid, and healthy economic development, with deepening reform as the only way out to solve difficulties and problems cropping up in the course of development; and improve party style and strengthening the building of clean government and promoting the formation of sound social practices, with the stress on establishing an anticorruption mechanism and doing a good job of comprehensive management of public security. For this purpose, the provincial party committee held several important meetings one after another and made corresponding decisions, which have been conscientiously implemented by the party committees at all levels. The strategic objective of striving to basically achieve modernization within 20 years and the line of thinking and major measures for work set by the seventh party congress, which was held in May and served as a link between the past and future, has always been to encourage the party members and masses of people throughout the province to overcome difficulties and forge ahead while breaking new ground. Thanks to the creative and hard work of the party organizations at various levels and the broad masses of cadres and people, the province has a good expansion momentum in reform and development, whose main manifestations are as follows:

—**Reform has made new advances.** Further progress has been made in changing the way enterprises operate. The 218 provincial enterprises conducting comprehensive reform experiments have achieved marked results in changing operational mechanisms and played a leading role in this regard. The reform of three enterprise systems has been extended to all enterprises from selected ones. Joint-stock system reform has been conducted on a larger scale and some cities have made innovative advances where the joint-stock system is being gradually standardized. Localities have organized a number of joint-stock limited companies and strengthened management of joint-stock companies and securities markets, ensuring the sound and lively operation of securities businesses. A joint-stock cooperation system has been comprehensively introduced in the rural areas and the number of rural enterprises under the various forms of joint-stock cooperation system is now 30,000 or so, with their operations expanding from township and town industries to agriculture, forestry, animal husbandry, fishery, communications, and service trades. A rural socialized service system is gradually taking shape. The province has made further efforts to energetically develop specialized commodity trading markets and actively and steadily fostered the futures market, first in China in transaction volume terms. The markets for talent, labor, and scientific and technological research achievements are being operated on a more regular and standard basis. Social insurance system reform is moving toward establishing a system characterized by

separation of government and administrative powers, unified leadership, management at different levels, and better supervision. Governments at all levels have conducted useful explorations in changing functions and institutional reform is being accelerated.

—**Fresh achievements have been scored in opening up to the outside world.** The open regions and areas have further expanded. The three special economic zones, four economic and technological development zones, six new high-tech development zones, and over 100 approved economic development experimental zones have achieved quite good results in promoting development by opening up to the outside world. On the basis of the big growth achieved last year, the utilization of foreign capital has maintained its strong growth momentum. In foreign capital utilization the amount of direct foreign investment has increased, investment fields have been expanded, composition of investment has been optimized, projects using foreign investment have been extended in scale, and the number of years set for cooperation has been increased, as has the number of big financial groups and transnational corporations investing in the province. The foreign capital which has been utilized this year is expected to grow by 65 percent over last year, another historical best level. The growth momentum of exports has weakened and export trade is expected to increase by 10 percent over last year.

—**The economy has developed at an accelerated rate and with better efficiency.** As the external environment has undergone quite big changes and the difficulties cropping up in the course of advance have multiplied, the province has continued to maintain its high economic growth rate and improved efficiency by deepening reform and opening up wider to the outside world. The GDP is expected to grow by 21 percent over last year. On the basis of a relatively big increase last year, industrial production has continued to maintain its rapid growth momentum, with steady increases in production and sales and an improvement in efficiency. In the first 10 months of this year, the sales income of industrial enterprises with independent accounting increased by 45 percent over last year. Profits increased while losses decreased.

Industrial output value is expected to increase by 35 percent over last year with a sales rate of 95 percent or so. As agricultural production suffered from serious natural disasters, grain and sugar production dropped but township and town enterprises maintained their growth. It is anticipated that total agricultural output value will increase by 3 percent. The production composition of agriculture has been further optimized. "three highs" agriculture has developed at an accelerated rate, with its overall efficiency improving remarkably. The targets of greening work have been roughly attained and the task of greening Guangdong has been accomplished two years ahead of schedule.

—**Innovative advances have been made in infrastructure construction.** The construction in the power, communications, and telecommunications industries has developed quite quickly, boosting the staying power for further economic development. The additional installed capacity is expected to amount to 35 to 40 million kwh. The increased installed capacity in a year exceeded the province's total additional capacity before the reform and opening up to the outside world drive was launched. The province has an additional 150 km of expressways, 300 km of first-grade roads, and over 1,600 km of other roads and an additional 158 km of railroad. The telephone system has a capacity of 2.2 million sets. Localities in the province, be they coastal or mountainous, have undertaken communications projects as of top importance. The communications projects which have been carried out, are unprecedentedly large in scale, high in standard, and rapid in speed.

—**Financial revenues have increased, the people's incomes have gone up, and markets feature brisk buying and selling.** The province's financial revenue is expected to grow by 35 percent and achieve a rough balance between revenue and expenditure with a small surplus. The per capita income for living costs of urban dwellers and the per capita cash income of the peasants have increased by 14 percent and 10 percent respectively, after deducting the price factor. The total retail sales volume of social commodities is expected to rise by 30 percent from the previous year.

—**Comprehensive public security management has been carried out in a more down-to-earth manner.** Since the beginning of this year, in view of the outstanding problems in social order, the province has launched special struggles to crack down on holdups on trains and buses and road robberies; triad criminal gangs; and prostitution and carried out an "antidrug and antigambling month" campaign and social-order improvement in selected areas and places, effectively checking the spread of criminal activities and ugly social phenomena. The measures, such as establishing an urban police patrol system, strengthening the building of grass-roots public security organizations, and combining "human, material, and technological resources" for security purposes have promoted the formation of a public security control system under which the masses are involved in public security control and management.

—**Party building and building clean government have been further strengthened.** The provincial party committee has repeatedly stressed working hard to establish an effective mechanism to combat corruption and maintain incorruptibility. Party committees at all levels and discipline inspection and procuratorial organs have strengthened investigations, study, inspection, and supervision, actively strengthening this work. The provincial party committee standing committee held an expanded session in the middle of November to implement the central instruction and

the spirit of the Second Plenary Session of the Central Discipline Commission and launched a struggle against corruption. Phased results have been achieved in the struggle since then. The anticorruption work has three distinctive characteristics: 1) principal party and government leaders personally take charge of the work; 2) phased objectives were combined with long-term objectives and temporary solutions with permanent solutions; and 3) the struggle against corruption within the party was combined with that to eliminate ugly phenomena in society at large. The struggle against corruption was carried out in a down-to-earth and healthy manner. Party organizations at all levels universally organized their members to study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, in particular, Volume 3 of the *Selected Works of Deng Xiaoping*, the new party Constitution, and knowledge about the socialist market economy to improve their quality in the light of practical work. In connection with the new leadership elections, leading bodies at various levels readjusted and substantiated themselves becoming more revolutionary, younger in average age, and more knowledgeable and professional.

There were still weak links in work last year. We must face reality and the future, affirm what we have achieved, face problems squarely, and accomplish greater things so that Guangdong can advance with bigger strides in its reform and development.

II. Conscientiously Study the "Decision" by the Party's Third Plenary Session

The Third Plenary Session of the 14th CPC Central Committee, which was held when China's economic structural reform was developed in depth, had great and profound historic significance. The "Decision" adopted systematized and made concrete the objective of economic structural reform and the basic principles set by the 14th CPC National Congress. It is a program of action to quicken the pace of reform and development and carry on modernization under the great banner of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. We must conscientiously study and comprehensively implement it and accelerate the establishment of the socialist market economic structure. We must combine the study of the "Decision" with study of Volume 3 of *Selected Works of Deng Xiaoping*, and study of rudimentary knowledge about the market economy with the summary of practical experience in reform and opening up over the last 15 years and with the absorption and use for reference of foreign advanced experiences. Through the study, we can acquire a profound understanding of the essence of the "Decision," master it as a theoretical and ideological weapon, unify our thinking, enhance our awareness in implementing the "Decision," and bring our initiative and creativity into play in our work.

Does socialism need a market economy? Can socialism pursue a market economy? This is the question we must

fully understand above all else. Guangdong's 15 years of reform and opening up have proven that to develop the economy, it is necessary to pursue a market economy. The economic structural reform we have carried out in the last 10 years or so is, in fact, a gradual transition from the planned economy to a socialist market economic structure. This is precisely where the dynamic force of the province's sustained, rapid, and healthy economic development lies. The "Decision" points out: The socialist market economic structure is integrated with the basic system of socialism. In my view, it has two meanings: One is that the market economy is not the essential difference between socialism and capitalism and socialism must and can practice market economy; the other is that practicing market economy under socialism has its own characteristics. In establishing the socialist market economic structure, it is necessary to follow the general laws governing the market economy. Different states with different socialist systems differ from one another and have their own strong points in pursuing the market economic structure. Establishing the socialist market economic structure is part and parcel of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. In the Volume 3 of his selected works, Comrade Deng Xiaoping has incisive and systematic expositions on this issue. In early 1992, Comrade Deng Xiaoping delivered important talks during his inspection tour of south China and once again showed great foresight and made brilliant judgments, which constitute the theoretical basis for us to establish the socialist market economic structure.

In the final analysis, what kind of socialist market economic structure are we going to establish? This is a question which we should fully understand. The "Decision" has systematically and incisively expounded on the question. The purpose in establishing a socialist market economic structure is to enable the market to play a basic role in the disposition of resources under macroregulation and control by the state. To achieve this, it is necessary to form the market main bodies, market system, regulation and control system, distribution system, security system, science and education structure, and the legal system as an integral whole. We must start with these basic issues, deepen our understanding of the socialist market economic structure, and carry out reform with greater willingness and initiative so that all work will become congruous with the operation of the market economy and Guangdong's economy will develop more rapidly and with better results.

How has Guangdong fared in establishing the socialist market economy? In the 15 years of reform and opening up, thanks to favorable social conditions, Guangdong introduced reform before others, conducted bold explorations with market economics as the orientation and made innovative advances. In the province's disposition of resources, the market has played an ever increasing great role and people's understanding of the laws governing the market economy has been gradually deepening. Compared with the requirements of the "Decision," we notice that the results Guangdong has achieved

in reform formed only an initial foundation for establishing a socialist market economic structure. Our task in the days to come is still very arduous. Guangdong's initial experience still needs to undergo a practice again—knowledge again—improve again process. Therefore, we must not be satisfied with the existing state of affairs and stand still and refuse to make progress. We must arm our minds with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, further emancipate our minds with the "Decision" as the guide, and push the province's reform to a new goal and a new height and deepen it in the spirit of boldly conducting explorations. This is the key to the basic realization of modernization within 20 years.

III. Accelerate the Establishment of a Socialist Market Economic Structure

In accordance with the requirements of the "Decision" by the Third Plenary Session of the 14th CPC Central Committee and the province's realities, in the days ahead, we must speed the pace of establishing and improving the socialist market economic structure. For this purpose, the provincial party committee standing committee studied and worked out "Suggestions for Solving Some Issues Concerning the Acceleration of the Establishment of the Socialist Market Economic Structure (Draft for Discussion)" and submitted it to the current session for examination and approval. The general purpose is to set the objectives and tasks of establishing the socialist market economic structure, carry them out in an orderly way and step by step in the light of the realities in Guangdong, make breakthroughs at selected points, gradually improve them, and strive to set up the basic framework of the socialist market economic structure within five years. Let me now focus my discussion on five issues concerning the current work.

First, there should be great breakthroughs made in enterprise system reform. Overall, the province's existing enterprises still cannot meet the requirements of the market economy. As the market economy develops, this problem will become more pronounced. A modern enterprise system is the foundation of the market economic structure and the backing of local economic development. We must pay close attention to enterprise system reform and make breakthroughs at selected points to promote the reform as a whole. Attention should be paid to the following issues: 1) we must correctly assess enterprise assets, be clear about the relations of property rights, and ensure the value of public assets will be maintained and increased; 2) we must concentrate our efforts on establishing a modern enterprise system, with the stress on developing joint-stock enterprises, solve the problems such as that property rights are confused, no distinction is made between government and enterprise functions, the practice is pursued whereby everybody eats from the same big pot of the government, state-owned assets are used for other than public purposes, and enterprises are riddled with debts and overstaffing, mobilize the enthusiasm of enterprise cadres and employees, and enhance the vitality of enterprises; 3) We

must form a number of enterprise group companies and make them competitive "dragon's head" enterprises; 4) we must carry out reform in the light of the different conditions of enterprises, with well conceived plans, steady steps, and adequate support measures, and do a good job of ideological work to win the support of the cadres and employees; and 5) we must establish a new system for the newly established enterprises so that they operate from the very outset in line with the requirements of the market economy and of the "Decision."

Second, there should be a great change in the government's function to manage the economy. Along with the reform in the enterprise system, financial and taxation systems, and banking structure and the establishment of the market economic structure as a whole, it has obviously become more imperative to change the government functions. The functions of governments at all levels are different and so are their economic management functions. However, as local governments, they have many common points. Therefore, the overall demand is that while continuing to carry reform forward energetically, they must strengthen macroregulation and control, change their regulation and control measures, energize their service functions, improve work efficiency, change the management methods of the traditional planned economy, focus their attention mainly on overall planning, make good use of policies, use organizational coordination with information as the guide, provide adequate services as well as inspection and supervision. For the government to manage the economy, first of all, it must pay keen attention to planning and work out plans for social and economic development, and also urban and rural construction, whose implementation should be ensured by laws and regulations. For the government to develop the economy, it must promote economic development through reform and opening up and pay close attention to such issues as infrastructure construction, optimization and readjustment of industrial structure, construction and management of the investment environment, coordinated development of different regions, training qualified personnel, control of population growth, and environmental protection. The government must promote the development of the other economic entities by means of policy guidance, organizational coordination, and adequate services. It is necessary to bring into full play the roles of the banking, financial and taxation, auditing, industrial and commercial, judicial, and other functional departments to manage and develop the economy. It is also necessary to give play to the role of large group companies as the dragon heads in developing the economy and the servicing and guiding roles of intermediary organizations. The change of the government's function to manage the economy must be combined with enterprise system reform and institutional reform.

Third, we must pay close attention to financial and taxation structural reform. The central authorities have decided to carry out a tax sharing system next year and

we must carry out the reform conscientiously. The contract system, which Guangdong has practiced for many years, has played a very great role in smashing the pattern of total control over revenue and expenditure under the highly centralized planned economy, mobilizing the enthusiasm of localities in increasing revenues and cutting expenditures, striking a balanced budget, and developing their economies, and in "breeding fish by retaining water the [xu shui yang yu 5552 3055 7402 7625]" and "enlarging the cake [zuo da dan gao 0976 1129 7551 4741]." Its development direction will surely be in line with the tax sharing system commensurate with China's national conditions. The priority for the financial and taxation reform in the short term set by the "Decision" is to turn the existing local financial contract system into a tax sharing system based on a rational definition of central and local administrative powers and establish central and local taxation systems. For this purpose, we must do our work well, submit ourselves to the overall situation of reform and the interests of the state, ensure the smooth implementation of the financial and taxation reform, and protect the enthusiasm of governments at all levels in developing the economy, opening up more financial avenues, and increasing revenues and cutting expenditures. In accordance with this principle, we must continue to improve the province's current financial structure so that it will converge with the state financial and taxation structural reform and implement the plan to improve it as quickly as possible. Governments and departments at all levels must ensure in an active and responsible way that the province's current financial structure will converge with the state financial and taxation structural reform. They must particularly improve taxation means, increase revenues and cut expenditures, control financial expenditures, strengthen tax collection according to law, improve tax collection methods, tighten supervision, and plug loopholes. In the days to come, governments at all levels must display the spirit of hard work and thrift, make careful calculations and strictly budget financial spending, save what can be saved, and guard against extravagance, waste, and extravagant spending. Developing the economy and increasing tax funds are fundamental to financial reform. We must make sure that introducing tax reform will help better promote rather than hamper the province's economic development and financial revenues. All localities must conscientiously solve this problem in the light of their own realities.

Fourth, we must continue to open up wider to the outside world and promote reform and development by opening up. Opening up wider to the outside world is a strong point in the province. We must develop new avenues of opening up and uplift it to a new height. We must strive for breakthroughs in the days ahead in diversifying the market, importing high-tech projects, and inviting large international financial groups to invest in China. We must make earnest efforts to run the state-approved 13 economic zones of various types and a number of the province-approved economic and technological development zones and promote the development of the rest of

the province with these zones serving as windows and bases for reform. We must absorb foreign capital to transform a number of existing enterprises, develop new industries, build infrastructure, further open domestic markets to the outside world, import hardware and, even more, software, and attach importance to talent, advanced management methods, and expertise. We must run properly the existing tens of thousands of foreign-invested enterprises, enterprises engaged in processing with supplied materials and samples, assembling with supplied parts, and compensation trade; give play to their positive role in developing the province's economy; and expand their positive influence abroad. We must step up our efforts to promptly solve the problems of neglecting the employees' safety and interests. We must improve the investment-seeking work, set up special organs, expand the current staff to handle the work extensively and meticulously, combine going abroad to seek investment and introducing investment from abroad, and combine introduction of large foreign investment on a comprehensive basis and regular introduction of investment on an item-by-item basis. While inviting foreign investment, we must actively open up international markets, export more goods, and strive to earn more foreign exchange. We must further develop and run enterprises overseas and raise construction funds abroad through many channels and methods. We must continue to make full use of the strong points of the Hong Kong and Macao region and, at the same time, absorb the achievements of all civilizations of human society from other countries, extensively introduce other countries' strong points, and make them serve our own purposes. We must energetically train qualified people engaged in foreign trade, further improve the investment environment, and create better conditions for opening up wider to the outside world.

Fifth, we must strengthen party leadership and ensure that work in all fields is carried out properly. The task of reform for the coming year is arduous. Party committees at all levels must enhance their awareness of reform, give emphasis to the priorities of reform, strengthen leadership over reform, and ensure the implementation of various reform measures. Reform is the driving force for economic development. We must be good at mobilizing people's enthusiasm and promoting economic development through reform. Reform is bound to involve the adjustment of interests of all sides concerned and cause some new contradictions. Therefore, we must be good at handling those contradictions well and ensure social stability and unity and the smooth progress of reform. It is a difficult and complex social systems engineering undertaking to establish the socialist market economic structure. Leaders at all levels must make overall planning, coordinate the forces of all side concerned, and make concerted efforts to accomplish the task. To be able to shoulder the heavy task of reform, leaders at all levels must take the lead in studying well Volume 3 of *Selected Works of Deng Xiaoping* and the "Decision," raise their ideological level and professional competence, improve their work style, go deep into the realities of life

to conduct thorough investigation and study, and do their work in a creative way.

As far as the economic work in the coming year is concerned, we must continue to implement the spirit of the seventh provincial party congress, which was held in May this year, and implement the plans and decisions adopted by the several important meetings the provincial authorities held this year. Particular stress should be placed on continuing to devote great efforts to the construction of infrastructure and the development of "three highs" agriculture, township and town enterprises, and the tertiary industry. In the overall economic work, attention should be paid to tapping potential, improving economic efficiency and product quality, and opening up more markets. In construction undertakings, we must proceed from actual conditions, act according to both our capability and modern standards, make good plans, and implement them step by step. In both urban and rural areas, we must guard against arbitrary and unplanned construction and unnecessary reconstruction to avoid waste. Importance should be attached to the protection, development, and utilization of water resources and to environmental protection.

In reform and opening up, as well as economic construction, we must strengthen the building of spiritual civilization. We must continue to implement the plan of the provincial party committee standing committee meeting, held this September, to struggle against corruption and conscientiously carry out the spirit of the provincial meeting on spiritual civilization work, which was held this November. Leading cadres at all levels must be strict with themselves and honest in performing official duties, pay keen attention to the struggle against corruption, and ensure the completion of the three tasks in the short term. We must continue to strengthen the comprehensive management of public security, severely punish criminals whose cases are serious, wipe out "seven evils," and create a safe and sound social environment for the work, study, and lives of the masses of people. We must strengthen ideological and political work, encourage a correct outlook on life and civilized lifestyles, and foster lofty professional ethics and social morality. We are firmly convinced that so long as we make unremitting efforts in this regard, we will be able to uplift the province's building of spiritual civilization to a new level every year. We firmly believe that after this session, party organizations at all levels will lead the people throughout the province in implementing the spirit of the "Decision" and Guangdong's reform, opening up, and modernization will surely take on a new look and be uplifted to a new level in the new year.

Guangzhou Proposes 5 Price-Control Measures

HK1201125894 Hong Kong ZHONGGUO TONGXUN SHE in English 0932 GMT 12 Jan 94

[Text] Guangzhou, January 12 (CNS)—Guangzhou Municipality will see its economy continue its high-speed development this year, but at the same time

inflation will increase its double-digit rate. Policymakers in Guangzhou will take five measures to control prices, according to the Director of the municipal Planning Commission, Mr. Guo Xiling, speaking at a planning meeting today.

First, every effort will be made to maintain a balance between supply and demand and the implementation of preferential policies and other measures for the supply of vegetables, the area under cultivation of vegetables and the stability of food prices and supply of industrial products.

Second, state-owned stores will function as main marketing outlets so as to adjust the relationship between supply and demand and control prices. Departments handling grain will be required to take the lead in bringing prices down to normal.

Third, the regulatory fund for main foodstuffs will be increased and the reserves system for important goods improved in order to maintain stability of prices.

Fourth, price control will be strengthened in order to stop illegal price hikes and fund collection.

Fifth, legislation for prices will be drawn up and the management system for prices improved as quickly as possible.

Retail prices in the city last year increased by 24 percent while the municipal government has called for the growth of such prices this year to be held to within 15 percent.

Foreign-Funded Firms 'Main Force' in Shenzhen

HK0901075594 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jan 94 p 3

[By Zhang Xingbo: "Foreign-Funded Firms Drive Growth in Shenzhen"]

[Text] Shenzhen—Foreign-funded enterprises in South China's Shenzhen Special Economic Zone have become a main force in its economic construction, yielding outstanding results last year.

The city used \$1.04 billion in foreign funds from January to November, more than twice the figure in the same period of 1992, Shen Jing, an official with the city's Economic Development Bureau said last week.

Industrial output from foreign-funded firms was more than 29 billion yuan (\$3.33 billion), or 73 percent of the city's total. And the figure was 32 percent up on the same period in 1992, Shen said.

The firms exported goods worth more than \$5 billion, an increase of 22.7 percent. That figure accounted for 69 percent of the city's total.

In 1993, foreign investment still focused on industrial programmes. However, more and more foreign businessmen invested increasing amounts of cash in tertiary industry.

In addition, Shen said, well-known entrepreneurs and international consortia began to turn their attention to the special economic zone.

"These investors, instead of investing on one specific item, moved into a variety of trade and professions in a bid to develop overall," he said.

Li Ka-shing, the richest entrepreneur in Hong Kong, helped Shenzhen establish the Shenzhen Chang Ho Industrial Company and he invested in many fields.

Last year, Li signed an investment agreement to help build Yantian Harbour which involved huge amounts of cash from the Hong Kong side.

Kumagai Gumi, a well-known Japanese firm, invested in electronic appliances and in putting up large commercial buildings.

To encourage foreign investment in the city, Shen said, a series of favourable policies and economic regulations were set up, which greatly invigorated economic activity.

According to a recent study, more than 80 percent of the foreign-funded enterprises in the city made profits.

All American-funded firms had annual profits of more than 15 percent and over 50 percent of the companies recovered their investment.

The output of Huaqiang Sanyo Electronics, a Sino-Japanese joint venture, has increased by more than 1000 percent since it was set up 12 years ago. Its sales volume hit more than 1.4 billion yuan (\$160.92 million) last year.

In addition, Shen said, more than 120 foreign-funded enterprises were awarded Nationally Advanced Foreign-funded Firm titles.

In a related development, Shenzhen became China's highest exporting city for the first time last year.

It exported \$7.2 billion-worth of products from January to November, up by 15.7 percent on the same period in 1992, said figures from the Trade Development Bureau.

The total figure for 1993 was expected to be \$7.8 billion, up 14.7 percent on the previous year.

The achievement was made possible by the work of more than 400 foreign trade enterprises and foreign-funded firms as well as processors of imported materials, said a bureau spokesman.

Exports by foreign-funded enterprises totalled \$5.1 billion, an increase of 22.6 percent. The figure for processing factories was \$550 million, up by 14.9 percent, and exports to distant countries were \$490 million, up 27.3 percent.

In addition, the spokesman said, 21 firms were allowed to set up overseas offices in new markets including Malaysia, Indonesia, Cambodia and Vietnam.

The city also organized or participated in many fairs both at home and abroad last year.

Guangxi Secretary on Developing Rural Economy

HK1101132694 Nanning Guangxi People's Radio
Network in Mandarin 1130 GMT 3 Jan 94

[Excerpts] A regional meeting on rural work opened in Nanning on 3 January. The theme of this meeting is to convey the guidelines laid down by the central meeting on rural work and to study and formulate measures to further emancipate people's minds, seize the opportunity, and speed up comprehensive agricultural, rural economic, and social development in the region. Zhao Fulin, secretary of the regional party committee, delivered an important speech at the meeting.

Zhao Fulin's speech focused on five topics: 1) Having a thorough understanding of the extreme importance of agricultural, rural, and agrarian issues under socialist market economy conditions; 2) the current situation in agriculture and rural work in the region; 3) emancipating people's minds, seizing the opportunity, and speeding up comprehensive agricultural, rural economic, and social development; 4) carrying out rural reform in depth, and speeding up the establishment of a rural economic operational mechanism which suits the needs of the socialist market economy; and 5) intensifying leadership over agriculture and rural work. [passage omitted]

Talking about the effort to speed up comprehensive agricultural, rural economic, and social development, Comrade Zhao Fulin pointed out that it is necessary to concentrate on the following aspects: With the market condition as a guide, we are to speed up the readjustment of the production structure in rural areas and optimize the allocation of resources; we are to vigorously develop township and town enterprises, accelerate the process of relocation of the rural labor force, and speed up construction of small cities and towns; we are to implement the development strategy of invigorating agriculture through promotion of education; we are to strengthen infrastructure for agriculture, improve production conditions, and preserve high-yield grain-growing farmland; we are to step up our effort to aid impoverished areas, enabling them to speed up their pace in extricating themselves from poverty and getting rich; and we are to step up the development of socialist spiritual civilization and of democracy and the legal system, and to do a good job in comprehensive management of public security.

Referring to the effort to deepen rural reform and speed up the establishment of a rural economic operational mechanism which suits the needs of the socialist market economy, Comrade Zhao Fulin noted: We must heighten our sense of urgency to seize the opportunity to accomplish the reform. In view of the actual circumstances in this region, we must focus our attention on the following tasks: We are to further stabilize and perfect the responsibility system, mainly the contracted responsibility system on a household basis with remuneration to output, and the two-tier operational system characterized by integration of centralized management and independent operation. First of all we are to stabilize and perfect relations stemming from farmland management contracts; secondly, we are to perfect unified collective management system and strengthen its role of serving the peasants; meanwhile, we are to vigorously introduce various types of joint-stock systems and joint-stock cooperative systems, enhance rational allocation and combination of resources, vigorously promote the socialized service network in rural areas, and step up the establishment of an operational form featuring the integration of trade, industry, and agriculture, and of production, processing, and marketing. We are to establish a unified urban-rural market system, and gradually build up a great commodity circulation structure. We are to strengthen and improve macroeconomic regulation and control, and constantly intensify the government's role in macroscopic guidance and management of the rural economy.

Comrade Zhao Fulin stressed that party committees and governments at all levels must steadfastly place agriculture before all other economic tasks, earnestly strengthening leadership. In the meantime, the regional party committee and the regional people's government must devote great efforts to rural work, while prefectural, county, and city party committees, as well as prefectural administrative commissioners' offices and county and city governments, must focus on and devote most energy to rural work. Party committee secretaries and government leaders at all levels should constantly pay attention to and personally attend to rural work. When dealing with major issues concerning rural reform and development, they must personally conduct investigations and studies, before making decisions and adopting measures. And they must monitor the implementation of such measures thereafter.

More than 500 people, including principal persons-in-charge of various prefectures, cities, and counties, and leading comrades from departments concerned, attended the meeting. Present at the meeting were regional leaders Zhao Fulin, Cheng Kejie [provincial governor], Liu Mingzu, Ding Tingmo, Li Zhenqian, Lin Chaoqun, Li Enchao, Yuan Zhengzhong, Ma Qingsheng, Yang Jichang, He Bin, Lei Yu, Xu Bingsong, Lu Bing, Yuan Fenglan, Liu Hong, and Long Chuan.

Guangxi Seeks Capital for Telecommunications

HK1201125794 Hong Kong ZHONGGUO TONGXUN SHE in English 0820 GMT 12 Jan 94

[Text] Nanning, January 12 (CNS)—In order to solve the contradiction between the rapid development of posts and telecommunications and the shortage of money, the Guangxi Zhuang Autonomous Region is actively engaging in the introduction of foreign capital into this sector with some 11 separate amounts of foreign funds totaling U.S.\$120 million so far approved to be used for this purpose.

According to the general engineer of the region's bureau of posts and telecommunications, Mr. Lin Mianye, these foreign funds have come from financial organizations in Switzerland, Germany, Belgium, Finland and Canada as well as from the North European Investment Bank with the investments covering a big batch of items including 600,000 programme-controlled telephones, switchboards with 30,000 long-distance lines, a long-distance optical-fibre cable measuring 1700 kilometres, 3 switchboard centres for mobile phones, 15 stations for paging machines, a programme-controlled system for the transmission of telegrams, ground satellite receiving stations and automatic letter-sorting systems. One-third of these items have already gone into operation and the rest will be completed within the coming two years.

Before the 1990s, Guangxi was very backward in the development of its posts and telecommunications and starting from 1992, the region has been introducing foreign capital and pledging investment in this sector in a large-scale way with the fixed assets investment last year alone put at RMB 1.3 billion, surpassing the original value of the fixed assets accumulated in the previous past 40 years. In 1993, the region saw the growth of its gross business volume and business income from this sector exceeding the country's average for the first time, ranking it fourth and second respectively in the country.

Henan Secretary Comments on Village Enterprises

HK1101132794 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 5 Jan 94

[Text] Yesterday morning [5 January], provincial Secretary Li Changchun and Zhang Deguang, standing committee member of the provincial CPC committee and secretary of Zhengzhou City party committee, went to Songdai Village, Miaoli Township, Jinshui District, Zhengzhou City for investigation. They inspected Dayuan Iron and Steel Company Limited and Caili Aluminum Company Limited, both subsidiaries of Songdai Village Hengda Group Company. They listened to the report given by the leaders of Hengda Group Company.

Songdai Village is a natural village with a population of over 600. Guided by the talks given by Comrade Deng Xiaoping during his southern China tour and the spirit of the 14th National CPC Congress, the people in this

village emancipated their minds, renewed their concepts, and boldly brought in talented people, technology, and funds. As a result, the village underwent marked changes. In 1993, the sales income of the village-run enterprises registered 120 million yuan and per-capita income for the year was over 3,000 yuan.

Li Changchun also had an amiable conversation with the eight college graduates employed by the company who are from inside and outside the province.

The college graduates said: The reason we came to Songdai Village Hengda Group Company is because this village has a united, practical, innovative, and enterprising leadership group. Here, we can bring our talents into full play and put our knowledge to practical use to realize the value of our life.

Li Changchun was very positive of their bold and wise choice.

After listening to reports, Li Changchun pointed out: Your village-run enterprises show that the ideas of the people in Songdai have changed a lot. It also indicates that township and town enterprises are a vast world where much can be accomplished. With the reform of the system of ownership and operational power, mixed economic sectors will be more and more common. It is necessary to break the established concept that township and town enterprises are inferior. In the future, no matter what ownership an enterprise is under, it must face market competition and excel. Township and town enterprises should be treated the same way as state-owned enterprises without discrimination in terms of enterprise categorization, grades of employment, and flow of professionals. Songdai Village is now a step ahead in accordance with the requirements of the establishment of socialist market economic system. It has attracted capable people and helped the whole society understand the value of capable people in a new light. I hope Zhengzhou City will take the first step in this respect and, in accordance with the principles of market economy, formulate a set of measures that encourage the rational flow of scientific and technological personnel.

Li Changchun instructed Songdai Village Hengda Group Company to develop toward foreign orientation, high-technology, and integration; strive to upgrade its standards, increase varieties, and improve quality; proceed from reality and make a long-term and scientific plan; and make painstaking efforts in implementation. He also expressed the hope that Songdai Village will try to catch up with and surpass the star villages in the province in sophistication and efficiency and become one of the province's advanced enterprises as soon as possible.

Hunan Secretary, Governor's New Year Message

*HK1101130194 Changsha Hunan People's Radio
Network in Mandarin 2300 GMT 1 Jan 94*

[Text] Yesterday [1 January], provincial Secretary Wang Maolin and provincial Governor Chen Bangzhu delivered a New Year message.

The message said: Under the leadership of the CPC Central Committee, with Comrade Jiang Zemin at the core, we Hunan people, together with the people of all nationalities in the country, enter the new year with confidence and hopes of speeding up reform and development. The past year has seen us building up socialism with Chinese characteristics. Under the guidance of the important talks of Comrade Deng Xiaoping and the spirit of the Third Plenary Session of the 14th CPC Central Committee. We have achieved considerable results in all our undertakings. In economy we maintained a relatively good momentum of development. The provincial GNP reached 114 billion yuan, up 12.6 percent over the previous year. The 15 years between the Third Plenary Session of the 11th CPC Central Committee and the end of last year has been a period of great reform, opening up, and development for Hunan, and a period which witnessed the fast growth of Hunan's economic strength, the biggest changes in the urban and rural outlook, and the greatest practical benefits for the general public, since the founding of New China.

The brilliant achievements we have scored are a sound foundation on which we can continue our pursuit in triumph. In the new year, we must hold high the great theoretical banner of building socialism with Chinese characteristics, adhere to the party's basic line, implement the spirit of the Third Plenary Session of the 14th CPC Central Committee and that of the sixth enlarged plenary session of the sixth provincial CPC committee, further emancipate the mind, seize the opportunity, work with less constraint on speeding up reform and development, and make more good results and create more brilliant records.

North Region

Hebei To Build Power Plant in Inner Mongolia

*SK1201052994 Shijiazhuang Hebei People's Radio
Network in Mandarin 2300 GMT 11 Jan 94*

[Text] There is hope of easing the power shortage situation of the northern power grid which has disrupted our province's economic development. The agreement on building Zhenglan power plant with joint investments from our province and Inner Mongolia Autonomous Region was concluded in principle in Shijiazhuang on 11 January.

Zhenglan power plant will be built within the territory of Zhenglan Banner in Inner Mongolia Autonomous Region. The designed capacity is 2.4 million kilowatts and the total investment is more than 1 billion yuan renminbi. Upon completion, most of the generated energy will be transmitted to the northern power grid of Hebei. Our province's Chengde, Tangshan, Qinhuangdao and Lanfang will be benefited.

Guo Shichang, vice provincial governor, and Lin Yong-san, vice chairman of the regional government, attended the signing ceremony on 11 January.

Beijing GDP Increases 12 Percent in 1993*OW1101082294 Beijing XINHUA in English 0759
GMT 11 Jan 94*

[Text] Beijing, January 11 (XINHUA)—China's capital retained a two-digit economic growth rate last year as it took bold strides in overhauling its infrastructure and developing a new market.

According to official figures, the city reached a 12 percent growth in gross domestic product (GDP), the second successive year of over ten percent growth.

The city saw the so far fastest rate of construction last year. Partially tempted by the city's unsuccessful bid to host the Olympic Games, it hugely boosted investment in infrastructure work. The 10.2-billion government funds [currency not specified] went to various projects, including highways, flyovers, telephone switch-gear, power, gas and heating stations, as well as sewage and rubbish disposal plants and green land.

Foreign funds played a major role in renovating the run-down areas of the city. A total of 900 million U.S. dollars of overseas investment flowed into the city in 1993, of which 70 percent went into infrastructure construction and service industries.

As the economy grew, the citizens' income increased. The average per capita income reached 5,500 yuan, 24.4 percent higher than in 1992. Its growth rate beat the inflation rate by eight percentage points.

Policemen received the greatest increase in income last year. They earned an average of 6,086 yuan annually, up nearly 40 percent over the previous year. They were followed by enterprise workers, who earned an average of 5,955 yuan, up 25.7 percent over 1992, school teachers who earned an average of 5,638 yuan, up 36.6 percent, and government employees with an annual average of 5,482, up 33 percent.

The inflation rate stood at 16.9 percent for the year, according to official statistics.

The capital city speeded up the development of a new market system. It has pushed four state-owned enterprises onto the international market by issuing their shares abroad.

It continued the process of replacing the old government-sponsored housing system with a more market-dependent housing scheme. A total of 120,000 apartments were sold at their market price last year, a four-fold increase over 1992.

Hebei Announces Personnel Appointments, Removals*SK1101084694 Shijiazhuang HEBEI RIBAO in Chinese 13 Dec 93 p 3*

[Text] On 23 November, the Hebei Provincial People's Government decided the following personnel appointments and removals:

Me Jinduo (8010 6855 6995) was appointed director of the provincial building materials industrial bureau.

Wang Jincheng was removed from his post as director of the provincial building materials industrial bureau.

Wu Guangqian (0702 0342 0467) was appointed director of the provincial technology supervisory bureau and was removed from his post as deputy director of the provincial labor department.

Shi Lansuo (4258 5695 6956), Zhang Yuliang (1728 3768 5328), and Xu Jianyin (1776 1696 1377) were appointed deputy directors of the provincial technology supervisory bureau.

Xu Guofeng (6079 0948 6912) was appointed deputy secretary general of the provincial government.

Li Shuguang (2621 2562 0342) was appointed deputy secretary general of the provincial government and was removed from his post as deputy director of the general office of the provincial government.

Liu Jianye (0491 0696 2814) was appointed vice chairman of the provincial economic and trade commission.

An Yongchang (1344 3057 2490) was appointed vice chairman of the provincial construction commission.

Yu Zhien (0060 1807 1869) was appointed deputy director of the provincial light industrial department.

Duan Tieshu (3008 6993 2885) was appointed deputy director of the provincial communications department.

Wu Dongshan (0702 2639 0810) was appointed deputy director of the provincial chemical industrial department.

Yu Zhanao (0060 0594 5837) was appointed chief engineer of the provincial chemical industrial department.

Xu Fengchao (1776 7685 3390) was appointed deputy director of the provincial personnel department.

Yu Rengang (0060 0432 0474) was appointed deputy president of the provincial economic management cadres' institute and vice chairman of the provincial economic research center (the research office of the provincial government).

Ma Minshan (7456 2404 0810) was appointed deputy director of the provincial trade department.

Liu Zhongmin (2692 0022 3046) was appointed deputy director of the provincial trade department and was removed from his post as deputy head of the general office of the provincial government.

Li Defang (2621 1795 5364) was appointed director of the Qinhuangdao Yaohua Glass General Factory and manager of the Yaohua Glass Company, and was removed from his post as deputy director of Yaohua

Glass General Factory and as deputy manager and concurrently chief engineer of Yaohua Glass Company.

Zhang Jingshou was removed from his post as director of Qinhuangdao Yaohua Glass General Factory and his post as manager of Yaohua Glass Company.

Wang Guoqing was removed from his post as vice chairman of the provincial planning commission.

On 6 December, the provincial government decided to appoint and remove the following state functionaries:

Zhao Baowen (6392 1405 2429), Song Yunge (1345 0061 7041), and Yao Xinmin (1202 2450 3046) were appointed deputy directors of the provincial state security department.

Li Zhi was removed from his post as deputy director of the provincial public security department.

Hebei Manufactures Yun-5-B Aircraft

SK0801040294 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 7 Jan 94

[Text] The Shijiazhuang Aircraft Manufacturing Plant has successfully manufactured the new model Yun-5-B aircraft. The Yun-5-B aircraft are well received by the consumers because of their tonnage, high loading capacity, and their versatility.

Recently, the Civil Aviation Administration of China placed an order for 12 aircraft of this model, valued at 17,400,000 yuan.

Shanxi Rural Industrial Towns 'Growing'

OW1201162894 Beijing XINHUA in English 1553 GMT 12 Jan 94

[Text] Taiyuan, January 12 (XINHUA)—The development of rural industrial towns in north China's Shanxi Province is growing in momentum.

At present, there are 150 towns in the coal-rich province whose annual output value has exceeded 100 million yuan each.

The rural industry in the province constitutes six pillar trades: coal processing, metallurgy, machinery, light textiles, chemicals and processing of agricultural side-line products.

Rural industries have also set up a few major production bases including a heating radiator base in Qingxu County, an active carbon base in Datong city and a forgeable iron base in Taigu County.

The rural towns with 100-million-yuan output value boosted the development of rural industry in the province. Last year, the total output value and pre-tax profits of rural enterprises reached 68.6 billion yuan and 7.5 billion yuan, respectively increasing by 70 and 52.9 percent over the previous year.

Tianjin Mayor Meets With ROK Bank Official

SK1201075294 Tianjin TIANJIN RIBAO in Chinese 30 Dec 93 p 1

[Text] The Tianjin branch of the Foreign Exchange Bank of the ROK began business on 29 December. Before the opening ceremony, Mayor Zhang Lichang met with Mr. Yi Chang-U, first vice president of the Foreign Exchange Bank. He first extended congratulations to the Foreign Exchange Bank of the ROK for establishing a branch bank in Tianjin on behalf of the municipal government. He said: Tianjin has speedily accelerated its pace in opening to the outside world and foreign investments have increased by 100 percent. We welcome banking organs from all countries to establish organs in Tianjin and we are certain they will thrive here.

The Tianjin branch of the Foreign Exchange Bank of the ROK is the first branch bank of the ROK in China. The Foreign Exchange Bank is one of the major banks of the ROK with 238 branch banks and subbranches. The opening of this branch bank will play an active role in encouraging ROK business to expand investments in Tianjin. Zhang Lichang said: I have just returned from a visit to the ROK with the municipal government delegation. The warm and friendly reception the ROK national assembly speaker and some ministers of the government gave to the delegation left a profound impression on me. We have established friendly city relations with Incheon city. The ROK has speedily increased investments in Tianjin and the inauguration of the Tianjin branch of the Foreign Exchange Bank has shortened the distance between us. I am full of confidence in the prospects of cooperation. Mr. Yi Chang-U said: Through the municipal government delegation's visit to the ROK led by Mayor Zhang Lichang, the friendly contacts between the ROK and Tianjin will be further strengthened. Our branch bank in Tianjin will contribute to the two countries, and, in particular, to the economic development of the ROK and Tianjin.

After the meeting, Mayor Zhang Lichang, Hwang Pyong-tae, ROK ambassador to China; and Mr. Yi Chang-U, first vice president of the Foreign Exchange Bank, cut the ribbon to mark the opening of the Tianjin branch of the ROK Foreign Exchange Bank. Zhang Lichang and ROK Ambassador Hwang Pyong-tae held talks on strengthening cooperation. Vice Mayor Ye Disheng and responsible persons of departments concerned also attended the meeting and the opening ceremony.

Tianjin Secretary Holds Forum of Democratic Parties

SK1201074394 Tianjin TIANJIN RIBAO in Chinese 29 Dec 93 p 1

[Text] Prior to the convocation of the second enlarged plenary session of the sixth municipal party committee, the Tianjin Municipal party committee invited principal responsible persons of various democratic parties to a forum on 22 December to solicit their opinions on the

"draft 1994 work priorities of the Tianjin Municipal party committee," and to jointly discuss Tianjin's major plans of seizing the opportunity to accelerate development.

Gao Dezhan, secretary of the municipal party committee, presided over the forum.

Zhang Lichang and Li Jianguo, deputy secretaries of the municipal party committee; Liu Jinfeng, chairman of the municipal committee of the Chinese People's Political Consultative Conference; Fang Fengyou, member of the standing committee of the municipal party committee; and responsible comrades of the United Front Work Department of the municipal party committee attended the forum.

Gao Dezhan said: In 1993, our municipality has conscientiously implemented the guidelines of the 14th party congress and the third plenary session of the 14th CPC Central Committee under the leadership of the party Central Committee with Comrade Jiang Zemin as the nucleus, persisted in taking Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as guidance and achieved noticeable results in reform and the modernization drive and in all fields of work through the common efforts of the people across the municipality. In carrying out all fields of work this year, various democratic parties, the municipal Federation of Industry and Commerce and relevant mass organizations in our municipality have provided great support for the municipal party committee and the municipal government, actively participated in consultation of major political affairs, aired their views frankly and played an important role in promoting Tianjin's reform, construction, and development.

Gao Dezhan said: Persisting in conducting consultation before making major policy decisions has been the fine tradition of our municipality and the major measure for guaranteeing the scientific and democratic policymaking of our municipal party committee and the municipal government. Inviting responsible comrades of various democratic parties, the Federation of Industry and Commerce, and relevant mass organizations to come here today is mainly aimed at soliciting your opinions on the 1994 work priorities of the Tianjin Municipal CPC Committee. It is hoped that all of you will air your view freely and actively give opinions and suggestions.

At the forum, Wang Fuzhong, chairman of the municipal committee of the China Association for Promoting Democracy; Chen Peilie, chairman of the municipal committee of the Revolutionary Committee of the Chinese Kuomintang; Wang Ying, vice chairman of the municipal committee of the Ching Zhi Gong Dang; Zhu Wenju, chairman of the municipal Federation of Industry and Commerce; Su Baocong, chairman of the municipal committee of the China Democratic National Construction Association; Li Hongshuo, vice chairman of the municipal committee of China Zhi Gong Dang;

Wang Mingshi, vice chairman of the municipal committee of Jiusan Society; Chen Heng, president of the municipal committee of the All-China Federation of Taiwan Compatriots; Xu Runda, vice chairman of the municipal committee of the China Democratic League; He Yueping, vice chairman of the municipal committee of the All-China Federation of Returned Overseas Chinese; and Wu Menghui, vice chairman of the municipal committee of the Chinese Peasants and Workers' Democratic Party, gave speeches respectively and offered many very good opinions and suggestions on next year's work priorities of the municipal party committee and on such work as accelerating economic development, accelerating opening up, revitalizing industry, expanding the use of foreign capital, developing education, training personnel, fighting corruption and promoting honesty, and strengthening the building of spiritual civilization.

At the end of the forum, Gao Dezhan said: The Tianjin Municipal party committee will conscientiously study and accept the valuable opinions and suggestions raised by all friends. We should uphold and improve the system of multiparty cooperation and political consultation under the leadership of the CPC, strengthen consultation and discussion with various democratic parties, give full play to their superiority and role, sincerely accept their criticism and supervision, make common efforts, manage Tianjin's work well and enable Tianjin to push next year's economic construction and all fields of work to a new stage.

Northeast Region

Cause of Heilongjiang Coal Mine Explosion Verified

HK1301030094 Beijing GONGREN RIBAO in Chinese
8 Jan 94 p 1

[By reporter Gai Leiping (5556 7191 1627): "The Causes of the Baohe Coal Mine Explosion Have Been Verified"]

[Text] It is learned from a related department that the causes of the explosion in Baohe Coal Mine of Heilongjiang's Jixi City, Jidong County have already been verified, and the cases of the relevant persons held responsible have also been dealt with.

The Baohe Coal Mine is a county-run, state-owned coal mine under Jidong County's jurisdiction. The No. 1 Pit is one with a high concentration of gas, with an annual production capacity of 120,000 tonnes and approximately 1,000 workers and staff. At 1904 on 11 October 1993, the mine's control center discovered an interruption in power supply, and shortly afterward an explosion was heard from the pit's entrance, and yellow smoke billowed out; consequently all 70 workers on that shift were killed in the accident.

Based on the investigation, evidence obtained, analysis, and appraisal of relevant experts of the case fact-finding

group, it was verified that there had been an extraordinarily big explosion involving coal dust. The direct cause was that during work to expand the right 10-degree upward-sloping work face, a fan stopped working and resulted in an accumulation of gas; when explosives were used to widen the work face, a short circuit caused a spark that finally brought about a gas explosion.

In addition, the confusion in production safety and technological control of the Baohe Coal Mine was also a cause. The ventilation system in the first section of No. 1 Pit was suffering from a serious leak; in the second section there was a serious lack of ventilation. Arrangements at the work face were confused, and overlapped each other; consequently, when the accident took place, the whole pit was involved. The concentration of gas in the pit exceeded the limit for four consecutive days on 8, 9, 10, and 11 October. The gas monitor on duty on the shift at the right 10-degree upward-sloping work face possessed no certificate, while in blasting, the system of "three checks for each blast" was not adhered to. Some self-rescue equipment was not provided and some was not used according to the rules and regulations. As a result, when the accident took place, miners in the pit could not rescue themselves.

Another gas explosion took place in the very same pit on 2 January 1991, killing 53 and injuring 12. The provincial, city, and county labor administration mine security supervising organizations carried out a special check of the said mine toward the end of 1991, and a notice on the supervision opinions was issued; however, they were not implemented.

In the wake of the recent accident, the State Council, Heilongjiang Provincial CPC Committee and Government, the Ministry of Labor, the All-China Federation of Workers' Trade Unions, and the Ministry of Coal Industry have paid great attention to and shown great concern about it. The provincial and city governments as well as related departments promptly organized a joint investigation. While verifying the causes of the accident, in order to draw a lesson and further implement the "Mining Safety Act," the penalty of an administrative warning was meted out to the Jixi vice mayor in charge of industry and a Jidong County vice governor; an administrative demerit was meted out to the county coal bureau director and chief engineer; a major administrative demerit was meted out to Wang Binwu [3769 3521 2976], deputy director of the Baohe Mine in charge of electrical machinery; the administrative penalty of removal from office was meted out to Baohe Mine director Yin Dianjia [1438 3031 3094], and in addition it was suggested that a corresponding penalty be given within the party; and the administrative penalty of removal from office was meted out to Baohe Mine deputy director Han Guohua [7281 0948 5478], who was in charge of production, technology, ventilation, and safety work, Sun Yishu [1327 5030 2579], ventilation section chief, and Wu Xiuwang [0702 4423 4986], deputy pit director, who was in charge of production safety in No. 1 Pit while their cases would be submitted

to supervision organizations for investigation. Regarding No. 1 Pit director Yang Zhongcheng [2799 1813 6134] and Liu Chunsheng [0491 2504 3932], safety monitor on duty who was absent during the shift, their cases were filed and submitted to supervision organizations for examination.

Jilin Secretary on Nonpublic Economic Sector

SK1301051694 Changchun Jilin People's Radio Network in Mandarin 1030 GMT 12 Jan 94

[Excerpts] At a forum of representatives from the non-public economic sector, He Zhukang, secretary of the provincial party committee, said that it is necessary to manage things in line with the market economic law and create a good and relaxed environment for developing and expanding private enterprises. In the market economy, private enterprises should pay attention to studying the market law and the state's industrial policies, submit themselves to the state macroeconomic regulation and control and make new contributions to building a developed border province near the sea.

This morning, He Zhukang, secretary of the provincial party committee; Zhang Yueqi, deputy secretary of the provincial party committee and vice governor; Wang Guofa, vice governor; and Zhang Tienan, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference [CPPCC] and director of the United Front Work Department of the provincial party committee, invited representatives from the non-public economic sector to a forum to hear their opinions and suggestions on further developing the province's private economy.

Zhang Yueqi, deputy secretary of the provincial party committee and vice governor, presided over the forum and gave a report on the province's political and economic situations. [passage omitted]

After listening to the representatives' views, He Zhukang gave a speech. He said, "Most of the participants at this forum are deputies and CPPCC members and representatives with great influence in our province's nonpublic economic sector. Your suggestions are very important and will play a great role in developing our province's private economy. At the same time, let me extend heartfelt thanks to you for your efforts and contributions to Jilin's economic construction."

In referring to how to rapidly develop our province's private economy and enable it to attain a certain scale and level, He Zhukang pointed out that it is necessary to conscientiously study and implement the decision of the CPC Central Committee on the issues concerning the establishment of the market economic system, manage things in line with market economic law, give a free hand in the development of the nonpublic economic sector, treat it equally without discrimination, create conditions for various economic sectors and all sorts of enterprises

to participate in market competition, protect the business and property of the legal persons and the individuals in line with law and further strengthen scientific management. He encouraged private enterprises to cooperate with state enterprises, participate in the purchase of shares, merge with them, or buy them, and develop the private economy by carrying out transdepartmental and transcountry cooperation.

In his speech, He Zhukang expressed hopes that entrepreneurs in the private economic sector will pay simultaneous attention to the building of the two civilizations; do business in line with law; pay taxes according to regulations; be honest and keep their promises; give strict supervision, inspection and management; rely on the masses of workers; strengthen democratic management; place themselves among the workers; pay attention to self-cultivation and professional ethics; form a good social image; make due efforts to further expand our province's private economy; and bring along a sound development in the whole province's private economy.

Liaoning Implementing Public Servants System

SK1301051494 Shenyang Liaoning People's Radio Network in Mandarin 2300 GMT 12 Jan 94

[Text] The province has begun carrying out reform of the public servants system and the wage system, a part of the reform of party and government organizations with which the people have long been concerned. On the morning of 12 January, the provincial party committee and the provincial government held a work conference in Shenyang to make overall arrangements for this reform. Yu Junbo, standing committee member of the provincial party committee and director of the organizational department of the provincial party committee, presided over the conference. Wen Shizhen, standing committee member of the provincial party committee and vice governor of the province, set forth the guiding ideology, principles, tasks, methods, and steps for the reform of the public servants system and the wage system on behalf of the provincial party committee and the provincial government.

Wen Shizhen pointed out that the next step of the reform of party and government organizations at the provincial, city, and county levels is devoted to firmly implementing the various programs approved by the CPC Central Committee, the State Council, and the Liaoning Provincial Party Committee. In line with the demands of the central authorities and with the stipulations of the provincial plan on organizational reform, the number of party and government organizations at the provincial level should be reduced from 90 to 65, with their functionaries reduced by about 1,800 persons, or a reduction of 22.6 percent; the number of party and government organizations at the city level should be reduced from 74 on an average to 52 for each city, with functionaries reduced by 24,000 persons, or a reduction of 24.8 percent; and the number of party and government organizations at the county level should be reduced

from 53.5 on an average to about 28 for each county, with the functionaries reduced by 5,700 persons, or a reduction of 21.5 percent. The reform of institutions should be carried out in line with respective characteristics according to the forms of removal, incorporation, transfer, and [words indistinct]. Efforts should be made to reduce by 10 to 20 percent the number of the staff of institutions that live off state revenues. Meanwhile, efforts should be made to basically complete the reform of party and government organizations at the city level within two years.

With regard to the implementation of the public servants system, Wen Shizhen said, "It should take about two years to basically set up the public servants system throughout the province, while carrying out the reform of party and government organizations and the reform of the wage system in order to bring the personnel management of government at all levels into a new operational mechanism and in order to gradually perfect the management of government personnel."

The provincial government organizations will implement the public servants system by three stages and in groups. In the first half of this year, they will complete the installation of positions. By the end of this year, they will complete the transition of existing personnel to public servants and use a new personnel management operational mechanism. By the first half of next year, most cities in the province will set up their public servants system.

The wage system reform of party and government organizations, as well as institutions, should be carried out in line with the demand of building the socialist market economic system and with the principles of distribution according to work and linking work remunerations with practical contributions in order to overcome egalitarianism. At the same time, these organizations and institutions should gradually set up their wage system with their own characteristics and set up a normal wage increase system to help form and develop a classified management system and a effective incentive system.

Wen Shizhen demanded that in carrying out the reform of the wage system, we should seize the key points, clearly understand and master the stipulations of policies, and be meticulous in organizing implementation in order to basically complete the implementation task for the wage system reform of party and government organizations and institutions in the first half of this year.

Wang Huaiyuan, deputy secretary of the provincial party committee, made a speech at the conference. He stressed, "In line with the demand of the market economy, we should vigorously seize the key point—changing functions—in carrying out the reform of labor, employment, and distribution systems." He said that changing the functions of government is the key point of the organizational reform. If the government refuses to change its functions and continues to use its original management modes and forms, it will be unable to bring

the relations between the various sectors into better balance, to reduce the number of organizations and staff, and to improve administrative efficiency.

Wang Huaiyuan pointed out that the simultaneous reform of labor, employment, and distribution systems will cause grave difficulties and great influence and thus it is a major event having a bearing on the overall political and economic situation of the province. He demanded that all levels of party committees and governments should strengthen organization and leadership, make overall arrangements and plans, and be meticulous in organization so that they can carry out reform in a positive and sound manner.

Liaoning Development Zone Reports Rapid Progress

SK1301064894 Shenyang Liaoning People's Radio
Network in Mandarin 1000 GMT 12 Jan 94

[Text] Dalian Development Zone has embarked on a new plane in developing the three types of foreign-funded enterprises. Last year, the number of imported projects and the increase margin in investment amount approached the total in the previous eight years and ranked first among the development zones in the country.

Dalian Development Zone has energetically imported, by persisting in high standards, a number of foreign-funded projects that are high in technological level, consume fewer energy resources, utilize a lot of investment, produce competitive products, occupy a large portion of world markets, and won great popularity in the world, thus gradually giving rise to some industrial groups unique to the zone.

Last year, the total industrial output value created by the three types of foreign-funded enterprises at the zone surpassed 4 billion yuan in renminbi, accounting for more than 80 percent of the total output value of the entire zone. The foreign exchange revenues and taxes generated by these enterprises respectively accounted for 98 percent and 53 percent of the zone's total. The sales income of these enterprises accounted for 80 percent of the zone's total.

The three types of foreign-funded enterprises have already become the new force of economic development of Dalian Development Zone. At present, investors of the three types of foreign-funded enterprises settled at the zone are from 27 countries and regions, and more than 600 domestic enterprises have initiated joint venture and cooperative enterprises at the zone with foreign corporations.

Foreign Ministry on French Arms Sales

OW1301084694 Taipei CNA in English 0807 GMT
13 Jan 94

[By Sofia Wu]

[Text] Taipei, Jan. 13 (CNA)—The Republic of China [ROC] expressed regret late Wednesday [12 January] over France's decision to stop arms dealings with Taiwan.

"It is regretful that France decided to discontinue arms sales to Taiwan under Beijing's pressure," the Ministry of Foreign Affairs said in a press statement.

Paris and Beijing issued a joint communique Wednesday in which France promised that the 60 Mirage fighter planes it agreed to sell to Taiwan in late 1992 will be its last arms deal with the ROC. In return, Beijing would end its year-long ban on giving lucrative contracts to French companies.

A Foreign Ministry spokesman blasted Beijing for repeatedly interfering in Taiwan's defensive arms purchases. "It is unthinkable that Beijing, while expanding its own military muscle and arms exports, has constantly demanded other countries not sell defensive weapons to Taiwan," he noted.

The spokesman stressed that the ROC's arms purchases are mainly for defending national security and maintaining peace in the Taiwan Strait.

"The joint communique between France and Mainland China will not contribute to the peace in the Asia-Pacific region," he observed.

The French Government announced the sale of 60 Mirage fighters to Taiwan shortly after former U.S. President George Bush agreed to sell 150 F-16s to the island in November 1992.

In 1991, Taiwan signed a contract with France to purchase 16 Lafayette-class frigates as part of its plan to beef up its naval force.

Reports from Paris quoted French Foreign Minister Alain Juppe as saying Wednesday that France will honor its previous arms deals with Taiwan.

Vatican May Forge Diplomatic Ties With PRC**Vatican Official Confirms Plans**

OW1201154494 Taipei Voice of Free China in English
0200 GMT 12 Jan 94

[From the "News" program]

[Text] The Vatican will establish formal diplomatic ties with the PRC but will maintain its current ties with Taiwan, a high-ranking Vatican official has said. The

official's statement was reported on semi-official radio in Taiwan, but neither the official's name or rank was given.

A reporter asked the Reverend (Hsu Ying-fa), the secretary general of the Catholic Bishop's Office in the ROC [Republic of China], to comment on the report. (Hsu) said: The Vatican has plans to establish formal ties with the People's Republic, but the Vatican Parliament has also promised the Bishop's Office in Taiwan that it would not cut its ties with any country, including Taiwan. (Hsu's) office was not surprised when it heard of the news. (Hsu) said the ROC Government should not worry too much about the Vatican's decision. However, it was possible that the Vatican would assign an ambassador to Mainland China and a representative to Taiwan for future contact.

Taiwan Minister on Establishing Ties

OW1301090394 Taipei Voice of Free China in English
0200 GMT 13 Jan 94

[From the "News" program]

[Text] Minister without Portfolio Chiu Hung-tao said Tuesday [11 January] it is up to Peking [Beijing] whether the Vatican will maintain diplomatic ties with Taipei after establishing such relations with mainland China. Chiu was responding to reports that the Vatican will establish formal diplomatic relations with the mainland, but will not sever existing relations with Taiwan.

Chiu claimed that the problem of dual recognition for the ROC and the PRC will have to be determined largely by Peking's attitude. He said that if the PRC approves of the scheme, there will be no reason why other countries should cut their diplomatic ties with the ROC. Some people are worried that this could encourage other countries with formal ties with Taiwan to recognize the mainland and down-grade their envoys here. Chiu said that perhaps more countries which previously did not recognize Taiwan would decide to follow the Vatican's example in setting up an official office here without breaking ties with the mainland.

Reports on President's Possible Visit to Indonesia

OW1301081294 Taipei China Broadcasting
Corporation News Network in Mandarin 2300 GMT
11 Jan 94

[From the "Hookup" program]

[Text] According to a report in Taipei's LIEN HO PAO, President Li Teng-hui has accepted an invitation extended by Indonesia to visit the country during the Spring Festival holiday. It will be the second unofficial visit by President Li in his capacity as a president to a state with which we have no diplomatic relations since he took office. It is predicted that President Li will meet with Indonesian President Suharto during his coming

visit, thereby establishing a friendship between the paramount leaders of the Republic of China [ROC] and Indonesia.

Because Indonesia will host an annual meeting of the Asia-Pacific Economic Cooperation [APEC] forum at the end of this year and has already said that it will invite the leaders of all APEC members states to an informal summit, it is generally believed that President Li will broadly exchange views with the Indonesian side on the APEC meeting and on the ROC's policy toward the region located to the south of Taiwan. It has been learned that the advance men of the Foreign Ministry have already visited Indonesia to discuss protocol-related issues. Barring an unexpected change, President Li should be able to make his visit in early February.

However, as for whether the president will go abroad for a vacation during the Spring Festival, (Chang Ping-nan), deputy director of the First Bureau of the Presidential Office, emphasized in an interview with reporters yesterday [11 January] afternoon that he was not aware there existed such a plan as the one mentioned above.

Economic Minister Promotes 'Southern Strategy'

*OW1301100294 Taipei CNA in English 0802 GMT
13 Jan 94*

[By Y.C. Tsai]

[Text] Taipei, Jan. 13 (CNA)—The government is promoting the "Southern Strategy" to cut Taiwan's investment risk in Mainland China. Economic Affairs Minister P.K. Chiang said Thursday [13 January].

The strategy encourages Taiwan manufacturers to invest more in Vietnam and member countries of the Association of Southeast Asian Nations (ASEAN), which groups Indonesia, Singapore, Malaysia, the Philippines, Thailand, and Brunei.

Chiang made the remark in a nationwide radio program aired by the Broadcasting Corporation of China (BCC) in the morning.

Although the new investment drive is a "win-win" policy for both Taiwan and Southeast Asian countries, the government will respect whatever decisions domestic investors make, he noted.

The minister, however, cited active participation in the new investment strategy as the best policy, saying traders should follow business benefits.

Under the "Southern Strategy," which is also touted as the "Guidelines for the Strengthening of Trade Ties With Southeast Asia," the government will take the initiative to deal with various governments to help promote the interests of Taiwan investors, he elaborated.

If Taiwan investors don't go to Southeast Asia now, their counterparts in other countries such as Japan, South Korea, and the United States will, he warned.

In the initial stage, he added, the strategy will target Vietnam, the Philippines, and Indonesia.

The three countries boast rich natural resources and an abundant labor force, he said, suggesting that Taiwan investors invest in agriculture, forestry, fishery, petrochemicals, and labor-intensive industries.

Moreover, he revealed, the government is also pondering cooperation with Indonesia on aerospace industry development. The aerospace development package is still in the planning stages, he added.

Chiang stressed that the "Southern Strategy" will produce reciprocal benefits, saying increased Taiwan investments will help boost the economies and upgrade the living standards in the Southeast Asian countries, whose peoples in turn will have more purchasing power to buy Taiwan-made products.

Ministry Announces Inbound Investment Deficit

*OW1301092294 Taipei CNA in English 0822 GMT
13 Jan 94*

[By Y.C. Tsai]

[Text] Taipei, Jan. 13 (CNA)—Taiwan's annual outbound investment substantially outpaced inbound investment for the first time in 1993, the Ministry of Economic Affairs reported Thursday [13 January].

Statistics released by the ministry's investment commission show that outward investment totaled U.S.\$1.66 billion last year, up a whopping 87 percent from 1992, while approved foreign and overseas Chinese investment shrank 17 percent to U.S.\$1.21 billion, resulting in a U.S.\$450 million investment deficit for Taiwan.

The United States remained the top destination for Taiwan investors, absorbing about U.S.\$380 million last year, which is nearly twice that of 1992.

Singapore, however, was on top of the growth among all Taiwan capital recipients. Taiwan manufacturers invested about U.S.\$70 million in the Southeast Asia country last year, representing a 6.9-fold jump from more than U.S.\$8 million in 1992. [figures as received]

Vietnam also emerged as a top priority target of Taiwan businessmen, with investments leaping from U.S.\$20 million in 1992 to U.S.\$150 million in 1993.

In term of industries, outbound investments in paper and paper products, which rose 917 percent for 1992 to U.S.\$1.12 billion last year, made the biggest growth.

Of the 19.3 inbound investments, investors from the Philippines led the list of overseas Chinese with U.S.\$50 million, followed by the United States and Hong Kong.

Japan was the largest foreign country with investments in Taiwan. In 1993 investments in Taiwan totaled U.S.\$271 million, down 35 percent from 1992.

European investors ranked second with their investments growing 27 percent to U.S.\$258 million last year.

Hong Kong

Official on Validity of Travel Documents After 1997

HK1201050094 Hong Kong WEN WEI PO in Chinese
11 Jan 94 p A11

["Dispatch" by staff reporter Pan Hsiao-ping (3382 2556 1627): "Wang Fengchao Stresses That Existing Hong Kong Travel Documents Will Continue to Be Valid After 1997"]

[Text] Beijing, 10 Jan (WEN WEI PO)—Wang Fengchao, director of the Second Department of the State Council's Hong Kong and Macao Affairs Office, has explained the transitional arrangements for Hong Kong travel documents to the Preliminary Work Committee's Social and Security Work Group. He said that after 1 July 1997, people holding BNO [British National Overseas] passports and CI's [Certificate of Identity] for Hong Kong permanent residents, or those holding a DI [Document of Identity], Seamen's identity certificates, or Hong Kong return permits may continue to use those travel documents to travel outside Hong Kong as long as the documents do not expire, so people do not need to worry about their current travel documents becoming invalid, which may affect their travel out of Hong Kong and their return to Hong Kong. Wang Fengchao stressed: This will be effected with the endorsement and full support of China, and China and Britain reached agreement on this through the Joint Liaison Group last year. As for the issuance of special administrative region [SAR] passports that Hong Kong people are now concerned about, a multidepartmental committee of the Chinese Government has begun to handle this work. It is expected that an initial plan will be formulated and the Social and Security Affairs Work Group will be briefed on the plan and will be consulted.

Fan Hsu Lai-tai, head of the Social and Security Work Group from the Hong Kong side, pointed out after the end of today's meeting that BNO passports are only a type of travel document; if BNO holders do not possess other countries' citizenship, they will still be treated as Chinese citizens and will still be eligible to apply for SAR passports; and Chinese citizens holding CI's may also apply for SAR passports. As BNO passports are regarded as only a type of travel document, BNO holders may simultaneously hold SAR passports.

UK Responds to PRC Passport Proposals

HK1301070094 Hong Kong SOUTH CHINA
MORNING POST in English 13 Jan 94 p 1

[By Fanny Wong]

[Text] China should agree to expert meetings "in the very near future" to sort out the problem of Special Administrative Region (SAR) passports, the office of the British Joint Liaison Group (JLG) team leader, Hugh Davies, said yesterday. A statement said he had been

waiting for months for a Chinese response to comprehensive proposals forwarded to Beijing. London had also offered again without responses to send Director of Immigration Laurence Leung Mingyin to Beijing for talks.

Governor Chris Patten yesterday said: "In view of what's being said about people going to Beijing, I'd just like to make that absolutely clear and say that, alas, we haven't had a positive response yet.

"But I very much hope that Director Lu Ping's remarks yesterday, coming as they do after what we've been saying for the last few months, represent a Chinese response which (we) will be able to follow up, because it is the sort of area where we should be able to co-operate in the interests of (the) people of Hong Kong on an issue about which everybody feels very strongly."

Mr. Lu said yesterday China wanted to issue SAR passports before the 1997 change-over and appealed for Britain's co-operation in supplying information. The British JLG statement said Mr Lu's remarks were "noted with interest".

Following agreement on transitional arrangements for the continued validity after July 1, 1997 of existing travel documents issued by the Hong Kong Government, Britain had put detailed and comprehensive proposals to China on July 15 last year. "Our proposals dealt with such issues as eligibility criteria, types of travel document and period of validity." The statement said the British side had sought detailed expert discussions on these matters as soon as possible so that the documents could be issued immediately from July 1, 1997.

Reportage on New Hong Kong Airport Project

Lu Ping Views Project

HK1201084294 Hong Kong WEN WEI PO in Chinese
12 Jan 94 p a2

[By reporter Chen Chien-ping (7115 1696 1627): "Lu Ping Says That Cutting Apart Airport Project by Hong Kong Government Is Bound To Increase Costs"]

[Text] Beijing, 11 Jan (WEN WEI PO)—Lu Ping, director of the State Council Hong Kong and Macao Affairs Office, said here today that facts have proved that the British Hong Kong Government has not separated politics from the economy. The British Hong Kong Government has adopted a non-cooperative attitude toward the Chinese side on the issue of the new airport in Hong Kong. When airport talks can be resumed has become a question, and a solution to the airport issue has become complicated.

When asked by reporters about the new airport in Hong Kong today, Lu Ping said that the issue of the new airport in Hong Kong can be said to be very simple, and what is needed is to follow the Memorandum of Understanding signed by China and Britain. When a reporter

asked about Chris Patten's remarks that the Hong Kong Government is acting in accordance with the Memorandum of Understanding, Lu Ping said that with the present financial arrangements made by the British side, the debt involved greatly exceeds the amount mentioned in the Memorandum of Understanding. How could he say that the Memorandum of Understanding is being followed? Since the debt has exceeded the memorandum, it is necessary for the two sides to negotiate to solve the problem.

When asked about the issue of land allocations along the airport railroad, Lu Ping said that the British side had proposed allocating 58 hectares of land along the airport railroad all at once. The Chinese side holds that since it is necessary to build an airport railroad, land along the railroad should be developed. Whether or not the land should be allocated in one go should be determined by the land supply and demand situation each year. Such allocations should be coordinated with those of the Land Commission [Sino-British Land Commission], the purpose being not to cause confusion in the whole land market.

When a reporter mentioned that the Hong Kong Government had separated the airport project, Lu Ping held that the costs of the new airport should be settled by an overall financial plan. The present piecemeal approach is bound to increase costs. He said that according to figures on the financial reserve published by the British Hong Kong Government, the British Hong Kong Government surely has the strength to build the new airport in accordance with the memorandum. Lu Ping said that the Memorandum of Understanding stipulates that, in the future, HK\$25 billion [Hong Kong dollars] should be reserved for the government of the special administrative region and debt should not exceed HK\$5 billion. The financial secretary of the British Hong Kong Government has said that, in the future, HK\$78 billion will be kept for the government of the special administrative region. We said that HK\$25 billion would be enough. The rest can be used for injecting funds so that debt will not exceed HK\$5 billion. In this way, the airport can be built.

Lu Ping on Move To Increase Funding

HK1201075894 Hong Kong SOUTH CHINA MORNING POST in English 12 Jan 94 p 1

[By Linda Choy in Beijing]

[Text] The top Chinese official in charge of Hong Kong affairs, Lu Ping, yesterday blasted what he described as a unilateral move by the Hong Kong Government to seek extra funds for airport projects without waiting for a Sino-British financial accord.

He also warned that the re-opening of airport negotiations could be affected by the refusal of the Secretary for Economic Services, Gordon Siu Kwing-chue, to attend a meeting of the Preliminary Working Committee (PWC) on the Airport Corporation Bill.

Speaking in Beijing yesterday, Mr Lu, the Director of the Chinese State Council's Hong Kong and Macao Affairs Office, voiced his opposition to granting extra funds to the new airport plan.

Mr Lu said China could not agree to the funding request, put to the Legislative Council on Monday [10 January].

He denounced the Government for refusing to make a commitment on financing the airport projects.

"To follow the MOU (Memorandum of Understanding) the Government's level of debt has to be limited to \$5 billion," he said.

"There is a surplus of over \$100 billion, it can inject a certain amount to the new airport construction."

Mr Lu also questioned the Government's claim that it could leave \$78 billion in reserves to the Special Administrative Region (SAR) government while virtually refusing to make a commitment.

In response, a government spokesman said: "We haven't seen the precise report of Mr Lu's comment but we are puzzled to hear suggestions that we are taking a unilateral action and that they were not informed."

He said papers on the funding options had been given to the Chinese side of the Joint Liaison Group Airport Committee last week.

"What we have done is in line with the MOU. We are trying to maintain the momentum of the airport and to complete the projects to the maximum extent possible by mid-1997," he said. The spokesman said if the Chinese side had new proposals which helped reach an agreement, the Government would be happy to hear them.

In a paper circulated to Legco members on Monday, the Government proposed two options for taking the airport projects forward. One envisaged a request for a one-off grant of \$377 million for the Provisional Airport Authority (PAA) to allow it to finish works currently underway. The other suggested that on top of the airport body's running cost for the next financial year, funds totalling \$1.3 billion should be made available to pay for three urgent construction projects.

Mr Lu said: "(The Government) hasn't discussed with us its decision to seek temporary funding from Legco. To this unilateral move we can never give our consent."

Under the Sino-British airport accord, which was signed in September 1991, China endorsed the airport proposal provided that Britain agreed to leave \$25 billion in reserves for the post 1997 government, as well as to keep the level of government debt below \$5 billion.

On the disposal of land along the airport railway, Mr Lu rejected the British suggestion that the 58 hectares should be granted in one go.

"If the land supply increases suddenly by about 60 hectares, how can one say that this will have no impact

on the overall land supply [in the market]?" Mr Lu said there was no way that China would give its consent even though the British Hong Kong authorities had agreed to make concessions on the financial arrangements.

Referring to the Airport Corporation Bill, Mr Lu said the Chinese authorities could not share the Government's view that there would be adequate scrutiny of the future airport management body.

Despite the fact that the bill outlined that the Government was empowered to act on public interest, Mr Lu said: "When you realise that there are public interests concerned, you probably have to pay compensation (to the other signatories of agreements).

"Therefore, we asked the Government to come and explain to the PWC, given it said it would have adequate power to control the corporation. The PWC members are advisers to us."

Mr Lu said the PWC had decided to invite Mr Siu to explain the bill, seizing the opportunity of his scheduled visit to Beijing to sign an agreement with the civil aviation authority.

"If things carry on like this, it remains doubtful as to when the airport negotiation will resume," he said.

In Hong Kong, 14 Hong Kong affairs advisers yesterday told local XINHUA (New China News Agency) officials that China and Britain should try to strike a deal on the airport projects as soon as possible.

Governor Patten Comments

HK1301070394 Hong Kong THE STANDARD in English 13 Jan 94 p 1

[By Michael Smith and political editor Mary Binks]

[Text] Friction between Britain and China over the crucial question of funding for the Chek Lap Kok airport has come to a head, with Governor Chris Patten urging Beijing to stop "playing politics" with the project's future. Negotiations over airport funding—already deadlocked—have been hindered further by deteriorating Sino-British relations on constitutional reform.

Legislators will this morning debate whether to approve a further injection of funds into the airport project to allow key contracts to continue in line with the 1997 completion date. But Beijing this week reacted angrily, lambasting the Hong Kong government for taking "unilateral action" in defiance of previous agreements.

Patten yesterday sharply rejected the allegation, saying that China was fully aware the project was now at the crossroads. "Everyone in Hong Kong, except conceivably the director of the NCNA (New China News Agency), knows that we could actually solve the problem of the airport like that if there was the will," he said. "I hope that will can be created in the coming weeks and months because if it is not it will be the SAR [Special

Administrative Region] government, and the people of Hong Kong, and the people of southern China who will suffer most.

"So let's talk in the airport committee and stop making political points, we are not going to do that and I hope no Chinese officials will."

Financial Secretary Sir Hamish Macleod and Secretary of the Treasury Donald Tsang also implied the dilemma now facing the government had been brought about by Beijing's intransigence. "We informed the Chinese side through the JLG (Sino-British Joint Liaison Group) on 15 December that, in order to minimise delay and extra costs, we would be approaching the Legislative Council to discuss additional funding that would enable further urgent steps on the airport to be taken while discussions between the two sides continued," Macleod said.

"We explained that the options we were putting forward were designed to save money and reduce the risk of increased costs.

"Surely, it would be much better if the Chinese side would make their specific proposals on the financing clear."

Financial Secretary Comments

HK1301053294 Hong Kong SOUTH CHINA MORNING POST in English 13 Jan 94 p 1

[Report by Fanny Wong and Doreen Cheung]

[Text] Financial Secretary Sir Hamish Macleod yesterday urged China to engage in early direct meetings to resolve the Chek Lap Kok airport issue instead of negotiating through press statements.

The director of the Chinese State Council's Hong Kong and Macao Affairs Office, Lu Ping, this week criticised the Government for seeking extra funding from the Legislative Council for the airport project. He accused officials of sitting on huge reserves and refusing to inject more capital to fund the infrastructure development. He also rejected the plan to develop land along the airport railway and raised queries about the Airport Corporation Bill unveiled for consultation.

Sir Hamish said Britain had tried many times to arrange expert meetings on such issues. He pointed out that Britain had informed China's JLG [Joint Liaison Group] team on December 15 that the Government would approach Legco [Legislative Council] for more airport money and had invited their comments. Then had been no reply.

On January 5 the Government gave China an advance copy of the funding plans which were later published, again without response. The draft Airport Corporation Bill was also sent to the Chinese side on July 21 for comment. "We received no formal response till the end of November when the Chinese side confirmed that they

would have no objection to publication of a White Bill," Sir Hamish said, adding there was no comment on the bill's contents.

The vice-director of the local XINHUA (the New China News Agency), Zhang Junsheng, said the piecemeal approach in seeking funds could not help resolve the problem. "They submit one report today and another report tomorrow. We want to solve the entire financial arrangements (for the airport and the rail link). They can't put forward requests like that," he said.

'Advisers' Hold Forum on Transition Work

OW1301055294 Beijing XINHUA Domestic Service in Chinese 1523 GMT 12 Jan 94

[Text] Hong Kong, 12 Jan (XINHUA)—The Hong Kong Branch of the XINHUA NEWS AGENCY invited Hong Kong affairs advisers to a forum over the last few days. Advisers from various circles expressed views on Hong Kong's current political and economic situation and future development. They pointed out that accelerating various preparatory work for the latter part of the transition period is a task which brooks no delay.

During the forum, advisers believed that China's sustained deepening reform and vigorous economic development are a reliable basis for Hong Kong to maintain prosperity and stability. How to maintain Hong Kong's stability and prosperity and how to effect a smooth hand-over of political power present the most important tasks facing the people of Hong Kong. In this connection, they offered many suggestions which may be used for reference; and under the circumstances of there being no "through train [zhi tong che 4160 6639 6508]," they placed great hopes on the Preliminary Working Committee of the Preparatory Committee of the future Hong Kong Special Administrative Regional Government, which enjoys popular trust and represents many circles.

During the forum, Hong Kong Branch Deputy Director Zhang Junsheng stated: The Chinese Government absolutely will not refuse to abide by the principles which are already in existence due to the breakdown of Sino-British talks. In the future, it will still strictly implement the Sino-British Joint Declaration and handle the Hong Kong issue according to the provisions of the Basic Law and the agreements reached between China and Britain.

Nearly 40 advisers separately participated in discussion meetings on the special topics of politics and economy.

Editorial on Reorganizing Assemblies in 1997

HK1201113694 Hong Kong WEN WEI PO in Chinese 8 Jan 94 p 2

[Editorial: "No Major Shock Is Likely To Be Caused in the Reorganization of the Three-Tiered Assemblies"]

[Text] The three-tiered administrative structure of the British Hong Kong Government must be disbanded in

1997 together with the end of British rule and administration in Hong Kong. This is the inevitable consequence of the British side's act in undermining the Sino-British talks on Hong Kong's 1994 and 1995 electoral arrangements. In a recent statement, the spokesman for the State Council's Hong Kong and Macao Affairs Office made this point plain so that Hong Kong people could clearly see the development of events and would make joint efforts with the Chinese side to reorganize the three-tiered assemblies in 1997 in accordance with the relevant provisions of the Basic Law. This will be conducive to the smooth transition of Hong Kong.

Hong Kong people generally hope for Sino-British cooperation to maintain Hong Kong's prosperity and stability and to effect the smooth transfer of government in 1997. When Chris Patten dished out his "three violation" constitutional reform package, many social organizations and activists opposed it and urged him to return to the path of "three conformities" to restore cooperation with the Chinese side. When the Sino-British talks on the 1994 and 1995 electoral arrangements began, Hong Kong people generally hoped that China and Britain would reach an agreement so that the political structure before and after 1997 would converge. However, although the Chinese side made great efforts to strive for the conclusion of an agreement and made a series of compromises, the British side continued to deliberately impede the talks from proceeding in line with the "three conformity" principle. Finally, Patten brought part of his constitutional reform package to the Legislative Council and this led to the total termination of the Sino-British talks.

Facts during the past year and more repeatedly showed that the British side had no intention of following Hong Kong people's wishes nor of keeping its own promise and settling problems through talks in accordance with the "three conformity" principle. Hong Kong people's hopes have completely fallen through and the Chinese side's efforts were also in vain. Hong Kong people cannot but discard their illusions of the British side and join the Chinese in doing intensive preparatory work in all fields for recovering Hong Kong.

The British refuse to cooperate but the sky will not fall down. In 1997, the reorganization of the three-tiered assemblies may cause certain shocks but Hong Kong people do not need to worry about this. President Jiang Zemin recently reiterated in his new year message to Hong Kong compatriots that "no matter what happens, we shall be of one heart and one mind with Hong Kong patriotic compatriots in all circles and the principle of 'one country, two systems' will remain unchanged, the principle of maintaining the Basic Law will remain unchanged, and our determination to resume exercising sovereignty over Hong Kong will remain unchanged. Hong Kong will certainly be able to maintain long-term prosperity and stability and we have sufficient ability to do this and have full confidence in this." Obviously, the reorganization of the three-tiered assemblies in 1997 will certainly be made strictly according to the principles

specified by the Basic Law. Therefore, the reorganized three-tiered assemblies will give expression to the principles of the Basic Law and will guarantee the balanced participation of all social strata in local administrative affairs. This prospect should be clear.

At the same time, the Chinese side will also listen extensively to Hong Kong people's opinions on the way to reorganize the three-tiered assemblies. It is believed that after the three-tiered political structure of the British Hong Kong authorities is disbanded, members of the three-tiered assemblies elected in 1994 or 1995 may still be able to reenter the assemblies as long as they satisfy the requirements specified by the Basic Law, love China and love Hong Kong, and are willing to continue to serve the local community. In short, as long as the vast number of Hong Kong residents actively support the work of the Preliminary Work Committee and make joint efforts with the Chinese Government, the shock caused by the reorganization of the three-tiered assemblies will be reduced to a minimum and Hong Kong's long-term stability and prosperity will certainly be maintained. Hong Kong compatriots should completely set their minds at rest on this point.

The colonial government will come to an end on 30 June 1997. Hong Kong people completely support China's recovery of sovereignty over Hong Kong and the implementation of the "one country, two systems" policy in Hong Kong. They will be masters of Hong Kong and Hong Kong will continue to be their home after 1997. Therefore, they know that the British who will return home after the Union Flag is lowered may not take a responsible attitude toward Hong Kong's prosperity and stability after 1997. Only the Chinese Government shares the same interests with Hong Kong people and really cares about post-1997 prosperity and stability and will inevitably assume a responsible attitude in adopting the transitional measures. Therefore, the sooner preparations are made to get rid of Patten's disruptive role by working out the method of forming the first three-tiered

assembly structure of the special administrative region, the more favorable things will be for a smooth transition.

As long as the reorganization of the three-tiered assemblies constantly follows the principle of orderly and gradual progress, respects history, and gives consideration to the current reality, then the work can be done in line with the principles specified by the Basic Law and can be suited to the actual needs in maintaining Hong Kong's prosperity.

Moreover, the fact of China's vigorous economic development is greatly conducive to Hong Kong's post-1997 stable development. Hong Kong and the mainland are closely interdependent. The Chinese Government will certainly try by every possible means to keep Hong Kong's existing social system unchanged, to ensure the stable and smooth development of democratic politics, and to continuously raise the living standards of the local residents. This will be favorable to China's four modernizations and will also be conducive to the practice of "one country, two systems."

The Chinese Government will also give consideration to the performances of foreign companies and Hong Kong enterprises which have made contributions to Hong Kong's prosperity and stability in the transitional period and will offer them more favorable conditions to seek future development in the mainland market. Cooperation will benefit both sides. Those who follow Patten in disrupting the order in Hong Kong will have no future. Those who cooperate with China and help keep Hong Kong's stability will have very bright futures. All foreign and local businessmen not support the reform package which just creates confrontation and trouble. Therefore, Patten will have less and less influence as he finds scant support for his unjust cause. On the other hand, China will enjoy abundant support for its just cause of striving for Hong Kong's smooth transition. China will also be able to achieve the goal of preventing any shocks appearing in Hong Kong in 1997.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771. Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.

END OF

FICHE

DATE FILMED

14 JAN 94